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Opposition Leader Rejects 'Reaganomics'
42000180c Sydney THE SYDNEY MORNING
HERALD in English 15 Dec 87 p 3

[Article by Glenn Milne]

[Text] Canberra—Mr Howard has sent a confidential letter to all Coalition MPs in which he firmly rejects the tag of a "supply-side policy maker", conferred on him in the run-up to the last Federal election.

Simply put, Mr Howard had been accused of supporting the theory that tax cuts stimulated the economy sufficiently to fund themselves.

Mr Howard is trying to distance his tax and spending policies from the discredited concept of supply-side Reaganomics.

In his letter, which has pages of economic statistics to help Opposition MPs attack the Government's record, Mr Howard says his election policy on spending and tax would have produced a surplus of at least \$100 million.

"The Government, in particular the Treasurer (Mr Keating), persist with the theme that the Liberal taxation policy during the last election was based on a belief in the supply-side aspect of the economic policies of the Reagan administration," the letter says.

"More recently, a number of journalists have also taken up this theme. Commonly understood, supply-side economics asserts that the economic momentum generated by the incentive effects of reduced taxation is sufficient to substantially fund the cost of tax reductions.

"This was not the basis of the Liberal tax policy for the last election."

Seven years after President Reagan made major tax cuts to help cut his country's domestic deficit, he is still presiding over record deficits. The US experiment's failure cast doubts on Mr Howard's claims during the election campaign that his own big tax cuts would generate a \$900 million incentive effect by the third year of a Coalition government.

In his letter, Mr Howard argues that Opposition tax reductions would have been largely funded by \$7.8 billion in spending cuts.

"In our calculations a relatively small allowance was made for incentive effects," the letter says. "At the time reputable commentators said that our estimate of incentive effects was on the conservative side.

"Despite this the Treasurer has dishonestly said our policy was based on supply-side economics, constantly calling it 'an unfunded tax cut'.

"During the election campaign the Liberal Party placed great emphasis on the value of individuals and business receiving incentives. However at no stage did we advocate the supply-side line."

The letter describes any policy of unfunded tax cuts as "economically irresponsible".

Mr Howard's defence of Opposition policies from the last election appears to confirm his public statements that the current review of Opposition tax policy will maintain the broad thrust of the July 11 platform.

His letter also seeks to establish the bona fides of the policy in relation to cutting the deficit.

It says: "It has been claimed that if we had won the last election and implemented the Liberal taxation policy then only \$270 million would have been cut from the deficit as compared with the projected reduction by the Hawke Government of \$2,689 million.

"The inaccurate claim is apparently based upon yet another misrepresentation of our policies by the Hawke Government.

"The figure of \$270 million was the difference between expenditure savings to be achieved under our policy in the first year and the cost of the proposed tax reductions in the first year."

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Officials React to Libyan Funding of Local Muslims

42000180b Sydney THE SYDNEY MORNING
HERALD in English 15 Dec 87 p 1

[Article by Peter White]

[Text] Australian Muslim groups are receiving more than \$100,000 a year in funds from Libya, according to documents obtained by the HERALD.

The money is being directed to the Australian Federation of Islamic Councils (AFIC), which has close links with Tripoli.

Earlier this year, AFIC representatives went to Tripoli to organise the transfer of funds. Evidence of the Libyan link is contained in AFIC records supplied to the HERALD.

Minutes of the AFIC's Federal Congress this year state: "Following the meeting of our delegation with Dr Mohammed Ahmed Sherif in Tripoli in February, 1987, AFIC received a grant of US\$100,000 from the World Islamic Call Society for purpose of investment in order to strengthen the financial viability of the Federation."

Libyan links, or alleged links with the Australasian and Pacific regions in recent years include:

—Financial aid for New Caledonia's main pro-independence group, the Kanak Socialist Nationalist Liberation Front.

—The movement of weapons into the South Pacific for dissident groups through Vanuatu.

—Financial support from a faction of the Free Papua Movement.

—The sponsoring of a conference of revolutionary groups attended by Tasmanian Aboriginal activist, Mr Michael Mansell, who reported that the Libyan leader, Colonel Gaddafi, would help establish a separate Aboriginal nation if the government did not accede to Aboriginal land rights claims.

Prominent Muslim leaders confirmed that the Libyan money had been received, but insisted that it was a "no strings attached" grant for purely religious and charitable purposes.

They said AFIC received funds from a number of Middle Eastern countries on the condition that Australian groups were free to act with complete independence.

Other AFIC documents suggest that smaller amounts of Libyan money—of about \$10,000—have been used to help fund the legal battle of the controversial religious leader of the Lakemba mosque, Sheikh Taj El-din Hilaly, to stay in the country.

The Sheikh has been fighting a protracted battle with the Department of Immigration and Ethnic Affairs which has refused to grant him permanent residence. The former Minister, Mr Hurford, ordered the Sheikh to leave Australia because of an alleged "deep-seated contempt of basic Australian values and attitudes".

The present Minister, Mr Young, however has apparently abandoned legal action and granted the Sheikh a two-year temporary visa.

The documents supplied to the HERALD suggest a well-established link between Australian Muslim groups and Tripoli.

In one letter from Sheikh Hilaly to the secretary of the Islamic Call Society in Tripoli, he writes to outline how the previous rules and regulations of the Islamic Centre at Lakemba have been replaced with a true Islamic type of administration which it is hoped will be adopted around Australia.

Yesterday Sheikh Hilaly confirmed that money was coming from Libya but denied that he had received any for his legal costs. He said any documents purporting to

show this must be forgeries and were probably the work of enemies in the community who, with the backing of the Saudi Arabians, were seeking to discredit him.

This was because he had resisted the efforts by local representative of Middle Eastern regimes to influence local Muslim affairs and because he had criticised the Saudi royal family for its departure from true Islamic values.

He said he did have connections with Libya, he had lived there for five years, but insisted they were purely religious and without any political overtones.

"We don't stand for anyone seeking to influence us here. We are completely independent. If they were to try that we would cut off links immediately. There is nothing wrong with us accepting money for charitable works, for schools and education, it's all for the good of the community."

The Opposition spokesman on Foreign Affairs, Mr John Spender, said that any funds supplied by Gaddafi should be looked upon with scepticism verging on suspicion.

"We all know he funds organisations in different countries, some innocent, ranging to some terrorist," Mr Spender said.

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Analyst Argues for Independent Pacific Policy
42000180d Sydney THE SYDNEY MORNING
HERALD in English 15 Dec 87 p 13

[News analysis by Malcolm Booker: "Australia Must Go It Alone in the Pacific Basin"]

[Text] Last week's summit meeting in Washington confirmed that the initiative in world affairs is in the hands of the secretary-general of the Communist Party of the Soviet Union, Mr Mikhail Gorbachev. In effect, he set the agenda for the talks on nuclear disarmament and dictated the scope of the agreements reached and his decisions will govern future progress in negotiations on reductions in strategic missiles and in conventional forces in Europe. The United States and NATO have now fallen largely into a reactive role.

What does all this mean for Australia?

Clearly we are not a negligible factor in Mr Gorbachev's wider calculations. The Soviet regime does not give the kind of attention that it devoted recently to Mr Hawke to the leader of a country for which it has no use. The granting of exit permits to Jewish dissidents wishing to go to Australia had less to do with the principles of human rights than with a desire to build the political credit of a politician with whom the Russians hope later to do business.

The same applies to the trade agreement which the Australian Prime Minister signed in Moscow. There can be no doubt that the Soviet Union wishes to develop economic relations with Australia as part of its plans for the Pacific as a whole. But its first priority in our case is likely to be to secure an adjustment in our large favourable trade balance.

It can be assumed that nuclear disarmament will proceed to the point at which the Soviet Government is satisfied that there is no longer any nuclear threat to its own country and also that the conventional balance of forces in Europe will be stabilised at a level at which Russia will remain impregnable. This latter will perhaps be done by offering seemingly dramatic concessions—such as the elimination of large numbers of obsolescent tanks and reductions in the number of combat-ready divisions in Eastern Europe—but without sacrificing any real military power.

What will be Gorbachev's next move? The clue may be found in his speech in Vladivostok in July, 1986, which can be seen in retrospect as a first step in seizing the global initiative which he now firmly holds. In it, he gave notice that the Soviet Union intended to take a more assertive political and strategic role in the Pacific region and also that it would become an active participant in its economic affairs.

Deep-seated national ambitions often survive internal revolutions and social upheavals. At the end of last century, Imperial Russia sought to bypass the European empires and to escape from its internal problems by establishing itself in Asia and the Pacific. It saw Japan as an easier target than Britain or Germany and created a Pacific fleet with which it hoped to overwhelm the Japanese navy. Thereafter, it expected to proceed unhindered in its program of expansion in the region. The Japanese brought this scheme to an abrupt end in 1905 by wiping out the Russian fleet at the Battle of Tsushima.

After nearly a century, the Russians have revived the undertaking. Like the Czars, they may see the Pacific region as the highway by which they can achieve their global ambitions. Like the Czars, they have built a powerful fleet based on Cam Ranh Bay in the South China Sea, although their immediate opponent is not Japan but the United States.

Clearly, however, Mr Gorbachev is not as reckless as Czar Nicholas II. It seems likely that he would prefer to await the further decline of American power in the region rather than to attempt to reassert the Soviet Union's power by a direct military confrontation.

He has some ground for expecting that the American decline could be fairly rapid. The trend to nuclear disarmament will make it more than ever unthinkable that the United States's "nuclear umbrella" over Japan

would ever be invoked and the naval and air bases on which American conventional power rests in the Pacific are endangered increasingly by civil disorder in the Philippines.

Nevertheless the possibility cannot be overlooked that, with their new-found confidence, the leaders of the Soviet Union may become impatient and be tempted to take direct action to hasten the American decline. They have assets in North Korea and in Vietnam which they could draw on to entice the Americans into engagements in which they would be at a strategic and political disadvantage. It seems more likely, however, that they would decide that in current circumstances their best move would be to give active support to the communist-led rebels in the Philippines. This would outrage the Americans and could result easily in a collision between Soviet and United States naval and air forces.

This possibility is not so remote that the Australian Government need give no thought as to what its response to such a development should be. An unconsidered knee-jerk reaction in favour of supporting the Americans could endanger seriously our long-term national interests.

In any event, the time has come when Australians should realistically accept the fact of the growth of Russian power in the Pacific and the relative decline of American power. We should also make up our minds that if there is a war between the Soviet Union and the United States, we should stay out of it. There may be no harm, even if no point, in dabbling in the Gulf war, but if there is a conflict in our own region we should certainly be most careful not to join the losing side.

Let us be clear that there is no moral issue involved. We have paid any debts owed to the United States. The over-riding duty of any Australian Government is to protect the interests of its people. Since these interests would be more severely damaged by a war in the Pacific than by any other contingency that can reasonably be thought of, our first responsibility is to use whatever influence we have to prevent its outbreak. This would preclude naturally giving any encouragement to the Americans to engage in such a war or any commitment to help them if they did so.

The best hope for Australia is that the growth of Soviet power in the Pacific will be accompanied by a process of peaceful adjustment on the part of all nations in the region. There is no reason to believe that it will be a worse place than it has been during the past century. The Soviet Union is emerging as a traditional imperialist power, but in the process is shedding much of its ideological baggage. Provided that Australia is sufficiently alert and flexible, it should not be impossible for it to sustain a role at least as independent as at present. Given the right policies, we could be part of a self-reliant

group of nations in South-East Asia and the south-west Pacific which could work together to ensure that none of us became pawns in Russia's global chess game.

Meanwhile, if the flattering attention that Mr Gorbachev gave to Mr Hawke means that in the next year or so he will be asked for some incidental help, this should not be rebuffed automatically. It might even be that we could exert some useful reciprocal influence not only for ourselves but for our neighbours. We have lost all influence in Washington. Is it impossible to believe that if Mr Hawke were made ambassador to the Soviet Union, he could gain some influence in the Kremlin?

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GMC, Toyota To Merge Australian Firms in \$1.5 Billion Deal

42000180f Sydney THE AUSTRALIAN in English
12-13 Dec 87 p 2

[Article by Lim Say Boon]

[Text] General Motors Corporation and Toyota Motor Corporation will merge the bulk of their Australian assets to produce a new super car-maker worth about \$1.5 billion.

Holden's Motor Co Ltd, AMI Toyota Ltd and Toyota Manufacturing Australia Ltd will pool their assets, worth collectively around \$900 million, in a new joint-venture company early next year.

Further, General Motors and Toyota, respectively the world's largest and third largest car-makers, will jointly invest another \$600 million in the new company over the next three years.

The joint-venture company will be owned 50-50 by General Motors and Toyota, but the two parties have yet to agree on a name for the new company or choose its managing director.

Although their manufacturing operations will be operated as a joint venture, the two companies will maintain independent sales and marketing organisations in Australia.

As part of the deal announced yesterday, Holden's will run down its Dandenong car assembly operation outside Melbourne and shut it down completely by 1989. This latest round of rationalisation will mean the loss of 1000 jobs at Dandenong.

A merger of such a magnitude is unprecedented in the history of Australian manufacturing.

By 1989, Holden's will be selling the Toyota Corolla and Camry under the Astra and Camira badges respectively.

Developed

In exchange, Toyota will be selling the Commodore under a Japanese badge.

It is expected that by the 1990s, all Holden's cars will be designed and developed with the help of Japanese engineers from Toyota and vice-versa.

Although both parties to the merger denied it, the affair smacked of a shotgun wedding forced by the car plan of the Minister for Industry, Technology and Commerce, Senator Button, and huge losses suffered because of uneconomic production.

Senator Button welcomed the merger as a "major step in making the Australian motor industry internationally competitive".

He said the strengths of the two parent companies would enable the joint company to develop and produce highly competitive cars in the domestic market. These cars could even be exported.

The joint-venture company has set itself a target production of about 170,000 units a year, which would make it a medium-sized manufacturer by international standards.

However, it is expected to start with local production of 130,000 cars.

The company will have, within its production network, a workforce of about 10,000 people.

Its main assets will be Toyota Manufacturing Australia's Altona (Victoria) engine and components plant, AMI Toyota's Port Melbourne car assembly operation and Holden's Elizabeth (South Australia) car assembly and components manufacturing operation.

Production

The company will come into existence early next year by initially acquiring 30 per cent of AMI Toyota, Toyota Manufacturing and Holden's Motor Co's assets.

It will complete the acquisition of all assets in these three companies by 1989.

Holden's executives said the company planned to reduce the size of its Dandenong car assembly workforce from 1000 to about 700 by the middle of next year through natural attrition and redeployment.

It would transfer all production of the Commodore to its plant at Elizabeth by October next year.

Holden's expects it will have a residual car assembly workforce of about 600 by the time it ceases production of the Camira by Easter 1989.

The remaining 600 workers will be offered employment at either Holden's engine and components company, Holden's Elizabeth plant, the truck and parts section of its Dandenong plant or AMI Toyota's Port Melbourne plant. Those who cannot be redeployed will have to be retrenched.

General Motors Corporation has excluded Holden's engine and components company from the deal. It will retain 100 per cent ownership of the company to produce four-cylinder engines for General Motors' related operations in Europe, the United States and South Korea.

The Detroit-based car-maker will continue to operate independently in Australia through its subsidiaries: General Motors Acceptance Corporation, A.C. Spark Plug Overseas Corporation and Australian E.D.S Pty Ltd.

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Weekly Views Difficulty in Penetrating Japanese Market

42000180a Sydney THE BULLETIN in English
8 Dec 87 pp 114-116

[Article by Ian McArthur: "Export Chances Go Begging"]

[Text] Austrade officials in Tokyo this year identified tenders worth \$A1 billion from the Japanese version of the government contracts gazette which they felt Australian companies could win. Some 65 Australian companies which Austrade felt might be able to turn out the products required were contacted and encouraged to submit bids. The result? One company bid—unsuccessfully, as it turned out.

The difficulty of penetrating the Japanese market is one reason behind this somewhat less than impressive showing but more disturbing are signs of laziness and lack of initiative on the part of exporters too used to playing the safe game in English-speaking markets.

Similar results with one of our "traditional" products in a "traditional" market would have been treated as a national scandal. As it is, the matter threatens to grow as an issue as politicians scrutinise our trade performance.

One of the more pressing economic tasks facing Australia is the need to redefine our relationship with our biggest trading partner, Japan. Many a shipload of coal, bauxite, iron ore and beef has found a happy home in Japan but this situation is not likely to prevail for much longer. The advent of the high yen means trouble ahead for the Japanese manufacturing industry, sectors of which—such as steel and shipbuilding—have in any case been in deep slump.

Structural change—particularly in the agricultural sector—clearly has to go on the political agenda for Japan's own sake. But this can hardly fail to have profound implications for Australian trade.

That has been recognised in many quarters for some time now that our trade relationship with Japan must change and that we must find new exports to replace our traditional raw materials. And, while we may in some respects have been battered by the fall in the value of the dollar, therein lies an opportunity—never before have Australian products been cheaper from the Japanese point of view.

It is difficult to fault the government for its intentions. The past few years have seen major efforts to promote trade with Japan outside the traditional resource sector but the latest initiative—Austrade's bid to have Australian companies tender for Japanese government contracts—subsidised recently in a welter of recriminations.

Statements by the Opposition spokesman on industry, technology and commerce, Senator Austin Lewis—who has called for an inquiry—imply that Austrade was at fault. But this is probably unjust. If Austrade was at fault, it was probably only by expecting too much of Australian companies. The real reasons for the failure of the exercise lie in two facts: that the normal language of commerce is not English and that the high yen means that, while our products may be very competitive on basic price, the costs of services associated with marketing in Japan are evidently higher than most Australian companies are prepared to bear.

To win a Japanese government contract, an Australian company needs to fulfil three conditions: it must be able to understand the tender, which is written in Japanese, and submit the bid in Japanese; it has to bid within 28 days of the letting of the tender; and it has to be represented in Japan. Some US commentators on trade problems with Japan have gone so far as to suggest that the Japanese language represents a major non-tariff barrier to the opening of the domestic Japanese market.

Translation takes time and costs money. A reputable house in Tokyo will want at least the equivalent of 5000 yen a page to translate a technical document from Japanese to English, slightly less to work the other way. Specialised legal or medical translation can cost vastly more.

Roger March, president of the Australian Business Association in Japan, a self-help group for small Australian businesses and individuals operating there and himself a translator, says that Australian companies are notoriously ill-informed when it comes to translation and very reluctant to pay the costs involved.

Insofar as translation eats up scarce time, one approach to tendering for Japanese government contracts might be to study the relevant gazettes over a longer period to see what patterns emerge.

If it can be established that a particular agency is wont to tender for a particular type of item at regular intervals, translations can be prepared in advance and adjusted when the details of the tender are published.

Translation, however, is only the beginning when it comes to marketing in Japan. Market research and advertising cost stupendous sums in today's yen; costs associated with a business trip to Tokyo, where a cheap cup of coffee is \$4.50 and the flagfall in a taxi is about the same, can be punitive for the would-be trader. To run an office in Tokyo, where the cost of land is the highest in the world and increased by more than 90 percent last year alone, is prohibitive for many.

A tenderer need not have an office in its own right in Tokyo but will certainly have to spend time and yen in visiting Japan to establish agency agreements and ensure that they work properly.

It might be expected that these things would be well known in Australia, since Japan has been our major trading partner for many years. But our trade relationship is not a particularly profound one.

History shows that the resource trade within Japan was initiated substantially by the Japanese themselves, who desperately needed cheap and stable sources of energy and raw materials in the 50s when their economy started to pick up. Suppliant Japanese came here, having taken the trouble to learn English.

The large companies which have dominated the resource trade have done little to deepen and improve the trade relationship, and have been very reluctant to hire Australian speakers of Japanese simply because they can speak Japanese. Geoff Martin, a student at the Australian National University's Asian Studies Department, refers critically to the lack of attention paid to Asian Studies students by recruiters visiting the campus.

Things were too easy but we are entering a different and more difficult league.

Our first problem is with image. It is not that Australia has a bad image in Japan—rather, Australia does not have much of an image at all.

Related to the problem we have in drawing attention to ourselves is that the Japanese are only too conscious of the US. This is a reflection of commercial realities—North America is the biggest single overseas market for Japanese products. If America stops buying, Japan dies. But the US/Japanese relationship is not only commercial—it is political, military and shot through with elements which are far more irrational. It is not too

much to describe Japanese attitudes to the US as obsessive, perhaps because the US is the only country in recorded history to have invaded and occupied Japan successfully.

Japan is highly vulnerable—politically and emotionally—to US pressure and, with the US trade deficit with Japan burgeoning, the pressure is on. They have shown a decided tendency in recent years to seek bilateral solutions to their problems which disadvantage other nations, and Australia is one of the big losers. The past 10 years have seen the US whittle away our share of the Japanese beef market and it looks as if coal might go the same way. Part of the problem is the failure of the US to grasp the nettle of structural change, particularly in its pampered agricultural sector.

Australian companies may well have missed the boat through a reluctance to inform themselves of and adjust to Japanese conditions. The attempts of Austrade and other government agencies which have built up some expertise in matters Japanese to educate the Australian private sector seem to achieve little more than to attract criticism of themselves for being interfering public servants. The ultimate victim, of course, will be Australia's terms of trade.

March says: "Japan is a highly sophisticated market. Preparation and patience are the keys to success. The quicker Australian companies wake up to this fact, the better."

/06091

Halfpenny, Left Win Trades Hall Council Control
42000180g Sydney THE AUSTRALIAN in English
12-13 Dec 87 pp 1, 2

[Article by Greg Sheridan: "Halfpenny Set To Kill New Wages Plan"]

[Text] A triumphant Mr John Halfpenny, new secretary of the Victorian Trades Hall Council (VTHC), appears to have killed at birth the Federal Government's proposed new wages system, with its emphasis on profit-sharing for workers and reward for productivity.

Mr Halfpenny won a sweeping victory on Thursday night in a hotly contested election for secretary, beating the right-wing candidate 277 votes to 211.

The Left won all contested positions, and is now poised to transform the largely moribund council into a powerful centre of industrial muscle.

Mr Halfpenny described the elections as "the most decisive and widespread victory for the Left" in the council's history.

His election has left the powerful NSW Labour Council as the only mainland labour council in right-wing hands. Its acting secretary, Mr Michael Easson, said Mr Halfpenny's election was "a disaster for moderate unionists".

Mr Halfpenny wasted no time making it clear he would be a dynamic force in the formulation of wages policy.

He told THE AUSTRALIAN that it would be "totally unacceptable" to have corporate profitability as the basis for a new wage-fixing system.

"The wages system should be about the maintenance of living standards," Mr Halfpenny said last night.

Election

"Some companies will have their profits affected by this stock market crash. Workers should not have to bear the full brunt of crazy, destructive, speculative decisions."

Mr Halfpenny's election throws a radical new element into wages policy. He has been a senior leader with the Amalgamated Metal Workers Union (AMWU) for many years, and his election to the top position at the VTHC will hugely augment his power.

Mr Halfpenny's election has dismayed moderate union leaders.

Mr Easson sees big political and perhaps industrial dislocation flowing from the election.

He said: "One thing you can say about Mr Halfpenny is that he's capable, and it's likely that the VTHC will become a mini-ACTU and challenge the ACTU leadership on wages."

Mr Halfpenny's election was made possible by the resignation of the former secretary, Mr Peter Marsh, to become deputy president of the Victorian Industrial Relations Commission.

There is intense bitterness among right-wing union leaders at Mr Marsh's resignation, which paved the way for Mr Halfpenny's victory, and the role of the Victorian Government in facilitating Mr Marsh's departure.

Mr Halfpenny said his victory meant the VTHC would play a greater role in determining national wages policy. He would be pushing for the 80 per cent of employees yet to receive the 4 per cent wage rise under the second-tier agreement to get that rise.

Mr Halfpenny also wants the first-tier \$7 a week claim being considered by the Arbitration Commission to be settled quickly. If it were not granted, he said, "you can forget about substantial wage agreement next year".

He has made no secret of the fact he plans to transform the VTHC.

Right-wing union leaders said Mr Halfpenny would breathe new life into the VTHC and make it a formidable organisation, hugely strengthening the Left's role in industrial relations.

This, in alliance with the Victorian AMWU, where he will still be influential, will give Mr Halfpenny a powerful machine and perhaps, as some union officials suggest, an effective veto over national wages policy.

He won support from some traditionally non-Left unions partly because of his generally pro-tariff position. Mr Halfpenny is seen as having made a good deal of the running on this issue, as well as against privatisation, on which there is a great deal of feeling within the union movement.

He also won support from white-collar unions, especially the government sector unions who have little to gain from a proposed profit sharing and productivity based wages system. They may form a natural constituency for Mr Halfpenny to oppose the planned new wages system.

/06091

'Internal Party Analysis' Foresees Democrats Balance 'Until 1993'

42000180h Sydney THE AUSTRALIAN in English
12-13 Dec 87 p 10

[Article by Paul Austin]

[Text] The Australian Democrats achieved the best result in their 10-year history at the July federal election, despite the loss of their former leader and founder, Mr Don Chipp.

An internal party analysis of the campaign—a copy of which has been obtained by THE AUSTRALIAN—says the party is now poised to have a record nine senators after the next poll, thereby ensuring it holds the balance of power in the Senate until at least 1993.

Prepared by the Democrats' national administrator, Mr Stephen Swift, the analysis says the party overcame the most traumatic year in its history to achieve an increased vote in both the Senate and the House of Representatives.

Despite Mr Chipp's retirement and the defection from the party of Senators John Siddons and David Vigor, the Democrats recovered to have their highest number of senators—seven—elected at a single poll. (The previous highest was five in 1983 and 1984.)

The analysis says that in July the party for the first time had:

A Democrat senator elected in every State.

A retiring senator successfully replaced at a general election.

A Democrat elected from the second position on a party ticket.

Mr Swift says public and private opinion polls in the lead-up to the election showed such a surge in Democrat support that the major parties were forced to engage in "anti-Democrat campaigning".

"The Liberal and Labor machines had to abandon their old policy of 'ignore them so they don't get free publicity' and launch an attack," he says.

The paper says the ALP:

Publicly attacked the Democrats on preferences to foster anxiety among new Democrat supporters that might "bring them back to the fold".

Devoted much of their "free time" on the ABC to a message of "stability" presented by the Leader of the Government in the Senate, Senator Button.

Selectively distributed in areas of strong Democrat support in South Australia's only marginal seat, Hawker, a letter asking Democrat voters to give their preferences to the ALP.

Screened a television commercial in South Australia promoting their Senate team.

The Liberal Party:

Printed full-page advertisements in metropolitan daily newspapers headed A Vote For The Democrats Is A Vote For A High-Tax Party.

Distributed "bogus" how-to-vote cards in some marginal seats in Queensland.

/06091

Fiji's Prime Minister Appeals for Unity
42000162 Kuala Lumpur NEW STRAITS TIMES in
English 9 Dec 87 p 16

[Text] Suva, Tues. (Reuter)—Fiji's newly-appointed Prime Minister promised today to strengthen the rights of indigenous Fijians, and said they had nothing to fear from his Government.

"I and my interim Government will ensure that the birthright of Fijian people, including their political rights, are consolidated," said Ratu Sir Kamisese Mara, Prime Minister of the military-declared Republic of Fiji.

In a radio appeal for unity, Ratu Sir Kamisese said: "You have nothing to fear from us. Give us your full support so that we do not remain divided."

Ratu Sir Kamisese was named Prime Minister on Sunday by Brigadier Sitiveni Rabuka, the leader of two military coups in the past eight months.

Brig Rabuka remains head of Fiji's military, but named a civilian Government that also included former Governor-General Ratu Sir Penaia Ganilau as President.

Brig Rabuka has said the aim of his coups was to ensure political supremacy for ethnic Fijians, who are slightly outnumbered by Indians in the 714,000 population.

Tension

Not all ethnic Fijians appeared pleased by last Sunday's move. Earlier today, the Taukei Movement, an extremist ethnic Fijian group which vocally backed the two coups, criticised the transfer of power.

Taukei leader Ratu Meli Vasikula said the appointment of Ratu Sir Kamisese and Ratu Sir Penaia had caused tension among the Fijian community.

"It stinks and it's dirty...the Fijian people are not happy at all with the manner in which leadership was handed over to Penaia and Mara," he said.

Ratu Vasikula did not say whether his group would resort to violence as it did soon after an Indian-dominated Government came to power for the first time after elections last April.

The Taukei agitation sparked Brig Rabuka's first coup on May 14.

/06091

Parliament Speaker Skeptical About Government Worker Pay Raise

24000160c Jakarta ANTARA NEWS BULLETIN in English 11 Dec 87 p A6

[Text] Jakarta, Dec. 11 (ANTARA)—House Speaker Kharis Suhud has doubted that a raise of the salaries of civil servants would help them because past experience showed that it was usually preceded by an increase in the price of goods.

Speaking to the press at his office here Friday, Kharis Suhud who is concurrently Chairman of the People's Deliberative Assembly (MPR), further stated that under the current circumstances it would be difficult for the government to raise salaries.

He met with President Soeharto several days ago to discuss various matters, including the idea from different factions of the House on a raise of the salaries of civil servants.

Such a government step, he added, would depend on so many "ifs."

In this context he pointed to the fact that Indonesia still relied on the price of oil and nonoil exports, although it must be admitted that the country's nonoil exports have begun to show encouraging results.

He also did not deny that prices had already gone up, and a salary increase would make things only worse.

08309

Resolutions of Muhammadiyah Annual Conference Announced

42130053f Jakarta PELITA in Indonesian 14 Dec 87 pp 1, 9

[Excerpts] The Muhammadiyah annual conference, which has been taking place since 10 December 1987 in Yogyakarta, ended last night having made various decisions in the form of resolutions and recommendations on three main topics: approaching the 21st century, domestic problems and foreign problems.

The resolutions and recommendations included urging a greater balance between material development and spiritual development in accordance with national development goals, i.e. the formation of the whole person.

It is hoped that official and unofficial leaders can serve as examples in their religious, national and political lives. It is also hoped that the community can increase Islamic brotherhood.

The government was also urged to exercise greater control over pornographic films, video cassettes, magazines, newspapers, books and advertisements. It is also hoped that the government will do more to suppress narcotics and strengthen laws against gambling in all forms.

The meeting reemphasized the Muhammadiyah view that Islamic law forbids vasectomy and tubectomy for birth control. It was also recommended that the government not go too far in spreading birth control measures in society and pay attention to religious and moral norms.

Muhammadiyah hoped that the SU [general session] of the MPR [People's Consultative Assembly], which takes place in March 1988, will go smoothly, calmly and peacefully and that it will produce useful decisions for religious, national and political life.

Foreign Problems

The meeting hoped that the third ASEAN high level conference starting in Manila today would go well and would produce useful decisions for the member nations of ASEAN in accordance with the goals set forth when ASEAN was established in 1967.

The meeting also criticized and soundly cursed Israeli efforts to make Jerusalem Jewish and insisted that Israel return the Al Aqsa mosque to Arab control.

The meeting urged the international community (especially the United Nations) to uphold basic human rights, especially those of Muslims who are being oppressed in the southern Philippines, in East Timor, southern Thailand, in Eritrea, Ethiopia, in South Africa, and in the Soviet Union, India and Bulgaria. Oppressed Muslims must have the same rights and treatment as other citizens of those countries and they must be given the freedom to practice their religious beliefs and to protect their identity.

The Government of the Philippines was urged to solve the problem of the Islamic community in the southern Philippines as quickly as possible in accordance with the Tripoli agreement of 1976 which gave autonomy to the people in that area.

Similar suggestions were made regarding the problems of Afghanistan and Palestine, and the PLO was declared the only legal representative of the Palestinian people.

9846

Legal Aid Institute-Sponsored Seminar Discusses Human Rights

42130053e Jakarta *PELITA* in Indonesian 11 Dec 87 pp 1, 9

[Text] Upholding basic rights and human values is only possible if the legal, economic, social and cultural dimensions of law and justice can be maintained. Upholding law and justice requires a healthy democracy.

Artidjo Alkostar, S.H. [Master of Laws], director of the Yogyakarta Legal Aid Institute, made this statement in a seminar commemorating human rights day. This seminar was organized by the Indonesian Legal Aid Societies' Institute (YLBHI) at its headquarters in Jakarta yesterday. Attended by about 100 people, mostly students and ISM [expansion unknown] activists, the seminar discussed various violations of human rights at the present time. All those who delivered papers, Yap Thiam Hien, H.I.C. Princen, Indro Tjahjono and Denny, J. A., urged that an immediate breakthrough be made to overcome those violations.

At the beginning of his paper Artidjo emphasized that since Indonesia is a state governed by the rule of law the supremacy of the law must be reflected in the way the state puts into effect freedom of expression, the protection of human life, inheritance, property, justice and respect for basic rights. Artidjo said, "A nation of law demands that ideal conditions succeed and concrete examples of political behavior in line with just norms of law."

He said that the way to achieve the ideal structure of a state based on law demands a harmony of movement without having to treat various aspects of political life as stepchildren. This means that guarantees of legal protection for citizen's rights and obligations must be shaped without discrimination, and economic and political growth may not push legal growth aside.

Obstacles

Artidjo sees the remnants of a hypocritical and feudalistic colonial time, a system of law which is still oriented toward power, legal decisions influenced by outside forces and a lack of even distribution of quality education in society as obstacles in the way of maintaining basic rights and justice.

Yap Thiam Hien, senior advocate, believes that the reality is that the obstacle in the way of maintaining basic human rights up to now is that politics regulates human rights. Politics determines whether a right is a law or not; politics sets the boundaries, the contents and the interpretation of the law.

Like Yap Thiam Hien, Denny, J. A., a student at UI [University of Indonesia] Law School and an activist in the Study Group, believes that the growth of elitist domination in various areas of national life is the reason

for the violations of basic rights. He thinks that that domination is behind the defects in control over economic sources in the area of economics, is behind the increasing weakening of political forces counterbalancing the government in the area of politics and is behind the cultural domination of the minority by the majority in the area of culture.

Denny believes that there has been something wrong in the way of looking at basic human rights up to now. Even though there have been frequent intellectual investigations of basic rights, violations have continued to occur more frequently and on a more serious scale. "We feel more and more that there is a gap between agreed-on norms of basic human rights on the one hand and the concrete reality which we meet up with on the other," he said.

Denny said that all of that is because we have forgotten that the concept of basic human rights can only be manifested in day-to-day reality, if it is supported by a satisfactory social infrastructure. This is in accordance with the fact that social transactions are determined not only by ways of thinking and by norms but also are influenced by the interests of real sociopolitical forces.

Democratization

The speakers said that efforts must be made to achieve democracy in all areas of life, the maintenance of self-sufficient and autonomous institutions of justice as well as the maintenance of a system of laws which sides with and protects seekers after justice and to achieve breakthroughs in overcoming existing defects in the system.

Indro Tjahjono, former chairman of the DM [Student Council] of the ITB [Bandung Technical Institute], emphasized that democratization is a precondition for the creation of a society which upholds justice and imposes the same rights and obligations on all citizens. "But where should democratization start from under the present conditions?" said someone in the audience.

"By wiping out the domination of the elite," Denny snarled. He said that basic human rights can only be achieved in a natural way if domination in various fields is wiped out. Denny added that talking about basic human rights without a desire to wipe out that domination is just academic and has lost any practical function because the real struggle for basic human rights is the struggle against a system of domination.

9846

Legal Aid Foundation Hits Human Rights Abuse

42000207c Jakarta *BUSINESS NEWS* in English 14 Dec 87 p 6

[Text] Jakarta—A leading Indonesian human rights group yesterday attacked the Suharto government's human rights record and urged parliament to curtail the power of the administration.

"The corridor of freedom for political rights is narrow, press and academic freedoms are too far beyond reach," the Legal Aid Foundation said in an eight-page statement commemorating international human rights day.

The foundation also said this year's general election had failed to attract critical participation and the result did not guarantee true representation of the people.

The statement, said by observers to be the group's strongest this year, was read by LBH Chairman Hakim Nusantara.

It also detailed cases where the government had used unwarranted force in implementing its policies and enforcing the law, citing as an example last month's riot in the South Sulawesi city of Ujungpandang which led to the use of what the LBH called "legitimised violence" by the authorities to restore order.

Press reports here said at least six people were killed in the riot which saw university students clashing with troops.

"It is time for the legislative body to draft a law to limit the use of force (by the authorities) against people," the statement said.

Other examples cited as the government's "biased" enforcement of law included the recent trials of sidewalk vendors on the grounds they were breaking traffic laws, of Moslems charged with subversion for allegedly trying to set up an Islamic state, and a new government regulation which empowers it to control the activities of lawyers.

/12232

Banker Predicts Unchanged Economic Situation in 1988

42000160e Jakarta ANTARA NEWS BULLETIN in English 13 Dec 87 pp A5, A6

[Text] Jakarta, Dec. 13 (ANTARA)—The prospect of Indonesian economic condition in 1988 will not be far different from that this year as the oil price on the world market remains unstable, Chairman of Perbanas (national banks association) I. Nyoman Moena said here Saturday.

Expecting the year 1988 to be better than this year viewed from the economic condition of the country was not realistic because other income sources of the country such as tax revenue have not developed properly.

To maintain the performance already achieved, the government will need bigger funds in 1988; therefore, it is hardly possible to expect the 1988/89 State Budget to be bigger than the 1987/88 State Budget, he said.

It is quite good if the government can maintain what already achieved in 1987 such as controlling the inflation rate below 10

and the economic growth as 3

, the banker said.

Economic development in the industrialized countries such as the United States, the European Economic Community (EEC) and Japan indicates that problems to be faced in 1988 still constitutes part of the problems existing this year.

He expressed confidence, however, that the agreement between the United States and the Soviet Union to reduce their nuclear weapons would boost economic development.

08309

1986/87 Oil Export Figures

42000160d Jakarta ANTARA NEWS BULLETIN in English 13 Dec 87 p A1

[Text] Jakarta, Dec. 13 (ANTARA)—The state oil company Pertamina has exported a total of 17,086,029 barrels of oil worth 467,454,027 US dollars in 1986/1987.

A spokesman of Pertamina, K.A. Endin said here Saturday the crude oil exports consisted of Bunyu, Jatibarang, Klamono, Lirik and North Sumatra Crude (NSC).

08309

Nonoil Exports Expected To Exceed Target

42130053c Jakarta ANGKATAN BERSENJATA in Indonesian 9 Dec 87 p 1

[Text] Rachmat Saleh, minister of trade, feels optimistic that efforts to increase nonoil exports in 1987 will exceed the projected figure by 15 percent, and it is hoped that it will reach \$7.6 billion by the end of 1987.

Rachmat Saleh said that for the first 9 months of 1987 nonoil exports had risen by 25 percent compared with last year. If calculated for April to September, 6 months of the fiscal year, the increase is almost 35 percent over last year.

"So, \$6 billion of foreign exchange has been earned, and within 3 months it should be about another \$1.6 billion, on the average about \$550 million per month, God willing," he said.

Asked whether the increase in foreign exchange could reach \$1 billion a month, the minister of trade said that that was a figure that had to be reached. The problem is

when that figure can be reached. The largest average amounts recorded up to now were \$700 million for June and July 1987 and more than \$800 million in August 1987.

It would be very helpful if the world economy does not get any worse, and thank God it could get better. On the other hand, it depends on us, businessmen and government officials, to be energetic. "If we all take part in supporting this program, an increase to \$1 billion per month can be reached," he said.

9846

Andalas Cement Plant Switches to Coal
42000160b Jakarta ANTARA NEWS BULLETIN in English 11 Dec 87 pp A2, A3

[Text] Banda Aceh, December 11 (ANTARA)—PT Semen Andalas, Indonesia (PT SAI), Lhok'nga, Aceh Besar, since November 1987, has completely shifted the energy source of its plant from fuel oil to coal, which it obtains from the Ombilin coal mines in West Sumatra, PT SAI director of operations Wilkes said at Lhok'nga Thursday.

PT SAI cement plant, he said, was originally set up to operate on fuel oil as its energy source.

The first stage of the change into coal started in August 1984, replacing 40 per cent of the fuel oil in the kilns and the second stage in May 1985 with a newly set up preheater, originally using 60 per cent fuel oil as its energy source and since November this year the whole plant has been completely operating on coal, Wilkes said.

Wilkes further explained that the design and construction had been carried out by PT SAI itself with consultants from Blue Circle Industries, Britain, so that costs could be cut down to US\$ 2.5 million.

Through the shift from fuel oil to coal the plant could economize about 15 per cent on fuel costs.

PT Semen Andalas Indonesia, situated at Lhok'nga, 16 km south of Banda Aceh, was inaugurated by President Soeharto in August 1983. The plant has a capacity of one million tons per year.

Export

In the first year of its operation (1983) PT SAI produced 317,000 tons of cement, out of which 292,000 tons could be sold. In 1987 (until November) its production reached 635,843 tons, out of which 663,337 tons were sold.

Out of the 663,337 tons, about 40 per cent are exported to regular buyers abroad, such as Sri Lanka, Bangladesh, Mauritius, Reunion and the US. This year PT SAI has also received orders from People's China and the Middle East.

08309

Soccer Lottery Extended, Modified
42000160a Jakarta ANTARA NEWS BULLETIN in English 10 Dec 87 pp A4, A5

[Text] Jakarta, December 10 (ANTARA)—The government has decided to continue efforts to raise sports funds through a lottery which is popularly known here as "Porkas."

However, there will be an improvement here and there in its implementation, said Social Affairs Minister Mrs. Nali Soedarsono following a consultation with the Head of State at the Bina Graha presidential office here Wednesday.

She also announced to newsmen that based on the guidance from the President, the license to organize the lottery which would expire next December 28 was to be continued until 1988 under the new name of Kupon Sumbangan Olahraga Berhadiah or the "SOB coupon."

In line with the guidance from President Soeharto, efforts to raise funds for national sports development will be continued for the sake of the national interest, she said.

Nevertheless, the "new" Porkas or SOB will no longer offer "fantastic amount" of money as a prize, which means the first winner of the lottery will receive less money.

By reducing the amount of the first prize, expectedly more people will get the opportunity to win the lottery, she added.

08309

PEOPLE'S REPUBLIC OF KAMPUCHEA

Soviet Correspondent Reports Vietnamese Withdrawal From Country

18070053 Moscow KRASNAYA ZVEZDA in Russian 15
Dec 87 p 3

[Article by Lt Col V. Nikanorov: "The Grey Towers of Angkor"]

[Excerpts] The helicopter is gliding along at a low altitude, almost brushing the tops of the coconut palms. A half an hour ago it had lifted off from the central square of Battambang, the main city of the province of the same name.

A grand meeting had taken place in the Battambang Square of Fallen Heroes. Young and old had arrived to see off the Vietnamese comrades. Among the thousands gathered there were school children, workers and soldiers of the KPRAF. The meeting was attended by a large group of international observers and journalists from various countries of the world, who had come to report the current—sixth—withdrawal of a group of Vietnamese volunteer troops from Cambodia.

The Vietnamese volunteers were in Cambodia at the request of the legal government of the PRK in connection with the threat to the security of the republic, coming from outside. They helped to establish the KPRAF, to suppress the incursions of the enemies of the people and to defend the gains of the revolution.

The Kampuchean troops, said the commander of one of the subunits of the KPRAF, Pan Sokon, are resolute and ready to defend the motherland. Thanks to the aid of our Vietnamese comrades our tactical mastery has grown significantly and our skill in the mastery of weapons and military technology.

Seeing off the Vietnamese volunteers from the motherland, the inhabitants of the PRK said farewell to their class brothers and brothers in arms with heartfelt warmth. This warmth made itself well felt in everyone present at the meeting in Battambang and at similar meetings taking place at the end of November in other cities of the country. Thus spoke a military observer assigned by the government of Poland, colonel of the Polish Forces Josef Zdunchik, in a conversation with the KRASNAYA ZVEZDA correspondent: "As a soldier I highly evaluate the efficient organization of the withdrawal of the regular group of Vietnamese volunteer troops from the PRK. The relations of the civilian population with those leaving also attracts attention. What we have seen in Battambang convincingly proves that the presence of the Vietnamese volunteers in Cambodia strengthened the friendship and military cooperation of the peoples and armies of the two fraternal countries and helped the consolidation of Cambodian

society. And those, who talk about the 'Vietnamese occupation', ought to come here and see the convincing proof of the peoples' friendship."

The new Cambodia is literally rising from the ashes. Eyewitnesses testify that immediately after driving out the Pol Pot gangs Phnom Penh was a dead city. There was no one even to turn on the pump-house. No one knew how.

It is difficult to believe this today, looking at how life seethes on the streets of the Cambodian capital. Desperately signalling, automobiles thread their way through the unending stream of bicycles and bicycle or motor-driven rickshaws. Along the sidewalks stretch the shops of the merchants with the most varied goods. An ice-cream vendor, pushing his wagon through the hot streets, tries to attract the attention of purchasers by ringing a bell. The doors of the school fly open and thousands of pupils in their white uniform shirts spill onto the street.

A child with a school bookbag is a characteristic sign of the rebirth of Cambodia. The young citizens of the republic are diligently mastering knowledge in order to build a new life in their native land. Illiteracy has been liquidated in the country and thousands of students are studying in the republic's higher educational institutions. Lin Pani, with whom we became acquainted at the capital's Pharmaceutical Plant No 2, graduated from the Phnom Penh Medical Institute. This young woman heads a shop producing antibodies and sulfamide preparations.

PRK Deputy Minister of Planning Nem Vanda also spoke about the successes in the national health care of the republic, telling foreign journalists about the development of the Cambodian economy. It was interesting to listen to this energetic man, who more than once looked danger in the face. In battles with the Pol Pot gangs he lost a hand.

In spite of the completely explainable difficulties, Nem Vanda noted, the economy of the republic is not standing still. The production of industrial products is growing, and with the help of the fraternal countries new enterprises are being built in Cambodia. The KPRAF soldiers are making a great contribution to the development of the economy.

Our main concern right now, Nem Vanda continues, is the loss of the rice harvest, due to the prolonged drought. In order to get out of this complicated situation, we are planning to intensify agricultural work. And here the help of the troops will be invaluable.

Close cooperation of the country with states of the socialist community helps the development of the Cambodian economy a great deal. Stable economic ties link the PRK and the USSR. In the past month a protocol was signed in Moscow on trade turnover and payments

between the Soviet Union and Cambodia. The document stipulates continued delivery to the PRK of machines, equipment, various materials, tractor technology and mineral fertilizer, necessary for the development of the economy of the friendly country. Cambodia will deliver to the USSR its traditional export goods.

Trips through the Cambodian provinces and conversations with people confirm that life in the country is being restored and the economy, overcoming its difficulties of growth, is gathering speed. And this is a good reliable basis for successfully carrying out the policy of national reconciliation, proclaimed by the government of the PRK.

Among the signs inspiring hope in the success of this policy it is possible to point out the recent report that the commander-in-chief of the armed forces of Thailand, General Chaovalit Yongchaiyut decided to withdraw a large part of the Thai forces from the regions adjoining the border with Cambodia.

A direct result of the policy of national reconciliation was the meeting which took place in the beginning of December in Paris between the Chairman of the Council of Ministers of the PRK Hun Sen and one of the leaders of the opposition, Prince Norodom Sihanouk. This meeting gave rise to satisfaction of all those who are interested in the swiftest establishment of a just and lasting peace in the ancient land of Angkor.

Hun Sen Comments on Relations With SRV
42000193a Bangkok BANGKOK POST in English
8 Dec 87 p 3

[Article by Elizabeth Zingg: "Hun Sen: Kampuchea Must Stay Friends With VN"]

[Text] Soissons, France (AFP)—Kampuchea will only achieve an end to its bloody nine-year conflict if it maintains "friendly relations" with Vietnam, Hanoi-backed Prime Minister Hun Sen has said here.

Hun Sen told AGENCE FRANCE-PRESSE here, after three days of talks with Prince Norodom Sihanouk, that he was not hostile to the prince's call for a Western-style democracy in Kampuchea if "our people accept it."

"It is in Kampuchea's interest not to be hostile to Vietnam, Laos and Thailand...and any political solution in Kampuchea must take account of that fact," said the 36-year-old prime minister, puffing on cigarette after cigarette.

Hun Sen's Vietnamese-back government is not recognised by the United Nations, which seats the three-party resistance coalition which Prince Sihanouk led until last May.

The Kampuchean official said Sihanouk's policy before he was ousted in a 1970 coup, was "correct as far as Vietnam was concerned...Vietnam wants and respects this friendship" with its smaller neighbour, he added.

Asked whether a future reconciled Kampuchea might join the Association of Southeast Asian Nations (ASEAN), Hun Sen said: "I don't think that's necessary."

But he said that Phnom Penh wanted "friendly relations" with Thailand. "We don't take the past into account," he said adding that a future Kampuchea's relations with the United States would "depend on Washington's attitude at the time."

Hun Sen, speaking in his modest hotel room about 20 kilometres from the renaissance chateau in which the two men met, said he did not oppose Sihanouk's call for French-style democracy in Kampuchea "if all the factions agree and if our people accept it."

Talking softly but firmly in Khmer through his interpreter, Hun Sen said that the question of Vietnam had been talked about very little during the three-day talks, which bore fruit in a four-point joint communique pledging to work towards a political settlement.

He said the meeting with Sihanouk had concentrated on finding "points of agreement," but added that it would be brought up in his next meetings with the prince in the same venue at Fere-en-Tardenois next month and in Pyongyang at a date to be fixed.

The first priority is to find a solution to the Kampuchean conflict which "respects the interests of the different parties but about all the wishes of the people."

Hun Sen said that this was why he had agreed with Sihanouk on "the principle of a Kampuchea which is peaceful, independent, neutral and non-aligned."

He described the resistance leader, who took a leave of absence in May as head of the three-party UN-recognised coalition government as an "intelligent statesman...a courageous patriot."

But Hun Sen did not mince words about the Khmer Rouge, whose bloody four-year rule from 1975 saw the murder of hundreds and thousands of Kampuchean, and from whose ranks he himself deserted in 1977.

He said that Phnom Penh had made "many concessions" in agreeing to negotiate with the group—who are the main military force in Sihanouk's coalition—excluding only contacts with notorious leaders Pol Pot, Ieng Sary and their associates.

If reconciliation is to be achieved, the Khmer Rouge must adopt a "new state of mind, a new policy, a new attitude," Hun Sen said.

The Kampuchean official departed at only one point from his calm tone—when he mentioned the way he had been welcomed in France, which does not recognise his government.

Hun Sen expressed indignation that he had been given no driver, and had had difficulty even finding a hotel room to stay in during the talks.

/06662

Culture Minister Asks Western Help in Temple Restoration

42000193b Bangkok BANGKOK POST in English
9 Dec 87 p 7

[Text] Phnom Penh (AFP)—Kampuchea has called on France to join Indian and Polish experts in the restoration of the temples of Angkor, symbol of the Khmer people's cultural heritage.

Culture Minister Chheng Phon said work begun last year at the Angkor site, built between the Ninth and 12th Centuries 240 kilometres northwest of Phnom Penh, had drawn controversy from abroad.

"Rather than criticising from abroad, it would be better if experts came here to lend us a hand," Phon said, referring in particular to archaeologists at the French School of Far Eastern Studies.

Work on the site began in November 1986 to remove moss from the statues and repair the drainage system. The use of cement to remodel the sandstone statues drew criticism in archaeological circles abroad.

But Phon said the cement was being used only to fill holes to stop water penetrating the foundations and that chemicals used to protect the stone had not changed its original colour.

Angkor Wat, re-discovered by the French in the 1860's, was allowed to fall into disrepair in 1972, when the area came under the control of the Khmer Rouge. Hundreds of statues were used by soldiers for target practise and pillaged by antiques traders.

France, which does not recognise the 1979 Vietnam-installed Phnom Penh regime, has so far refused to participate in the Angkor restoration project. But specialists say the site can only be preserved with access to EFEO's archives.

/06662

'Talk' Assails UN Cambodia Vote

42060006a Vientiane PASASON in Lao 23 Oct 87 p 3

[Talk' column by Leut Saisana: "The Facts about Cambodia Will Be Proven"]

[Text] "The door to improve" the situation in Cambodia has always welcomed people, but it has never been used. Instead, it has been abused. In fact, the resolution of the 42nd UN General Assembly on the Cambodian issue was a distortion of the truth. It was only form and did not contain a true picture of the problem at all. The revolution focused on the Vietnamese Volunteer force being in Cambodia. However, a basic reason for the presence of the Vietnamese Volunteer force in Cambodia is so that that they could help the Cambodian people at the request of the Cambodian people themselves, to liberate them from the danger of the genocidal policy of Pol Pot who murdered many millions of innocent Cambodians. This is an admirable and just foreign policy duty of Vietnam, and shows the common heritage of struggle shared by Vietnam and Cambodia in a spirit of solidarity, stability, and mutual respect for each other's independence and sovereignty. The action of Vietnam is in line with various international laws, and it is also carrying out its right to protect and to resist the crimes committed by the murderous Pol Pot clique against the ordinary people along the southwest border of Vietnam.

The UN resolution failed to mention the right of the Cambodian people, who have just been liberated from the serious genocidal action against them, to solve their own problems in order to guarantee their independence, which is their basic right, without being threatened by the revival of genocide.

It is the all-round growth and expansion of the People's Republic of Kampuchea that defends and protects the land of Cambodia.

The policy of national reconciliation as announced by the PRK and various policies concerning a political solution to the Cambodian issue, including the announcement of the 6th withdrawal of the Vietnamese Volunteer forces, were warmly welcomed by domestic and also international opinion. Many Khmer resistance groups have supported such a policy. By exercising the truth and good intentions with a high sense of responsibility toward the country's destiny and responding to the sacred wishes of the Cambodian people, the PRK will help to solve the Cambodian problem outside of the UN General Assembly.

This means that reality of the PRK will be proven for certain at all times in the future.

09884/06662

UNICEF Aids Projects

Hospital Rooms Dedicated

42060002c Vientiane KHAOSAN PATHET LAO in Lao 3 Sep 87 p A3

[Text] Last August, the Mahasai District Public Health Section of Khammouane Province dedicated its first operating and delivery rooms after construction was completed with UNICEF aid in combination with funds from the district. The cost was 4.6 million kip. This building is a one-story house, 12 meters wide by 18 meters long, and 3.6 meters high. This cooperative project between Laos and UNICEF was started in 1984. It includes construction of one building in Hinh Boun, one in Nong Bok, and one in Mahasai District. Each building cost 2,500 kip. At present, Mahasai District has 1 district hospital, 5 canton hospitals, and 5 clinics, with a total of 50 medical staff, 2 highly qualified doctors, and 4 intermediate-level doctors.

Reservoir Completed

42060002a Vientiane KHAOSAN PATHET LAO in Lao 9 Sep 87 p A10

[Text] Construction of a reservoir at Ban Parsi, Khai Mouang District, Louang Prabang Province, which was started in June with aid from UNICEF, has been completed at a cost of 130,000 kip. This reservoir can hold 9,000 liters of water, has 3,800 meters of pipes, and 11 water pumps. It can adequately serve the public's needs. 12597/9274

Official Sees Trade, Cooperation With SRV Province as Insufficient

42060006c Vientiane PASASON in Lao 29 Oct 87 p 3

[Unattributed article: "Savannakhet-Binh Tri Thien Trade Cooperation"]

[Text] The following are the figures for trade cooperation between Savannakhet and Binh Tri Thien of the SRV, twin provinces under special solidarity relations since 1983. In 1983, Binh Tri Thien Province sent 20 items of exchange goods to Savannakhet valued at over 2,149,000 Vietnamese dong, 31 items in 1984 valued at over 11,641,000 dong, 22 items in 1985 valued at over 104.47 million dong, and 34 items in 1986 valued at over 12,316,000 dong.

After the twin province Binh Tri Thien provincial trade sent the exchange goods according to the agreement on provincial trade, the Savannakhet Province Trade Co sent its goods to them as agreed each year, as follows. In 1983, there were 11 items valued at over 11,321,000 kip, in 1984 13 items valued at over 14,533,000 kip, in 1985 17 items at over 62,064,000 kip, and in 1986 20 items valued at over 101,565,000 kip. Also, over \$115,000 worth of goods was sent to Ho Chi Minh City.

Besides sending exchange goods according to the agreement, the Vietnamese side also agreed to train 10 cadres a year for Savannakhet Province, and also agreed to take 10 to 15 trade cadres agents from Savannakhet Province to Vietnam for educational field trips and for experience each year. Savannakhet and Binh Tri Thien Trade also agreed to build trade cooperation stores as agents for distributing the goods of both sides.

Mr Somphan, chief of the Savannakhet provincial trade section, told us that although the trade cooperation between Savannakhet and Binh Tri Thien has not yet been completed according to the plan and has not yet become as efficient as it should, we are still continuing to improve it and to be correct and effective in following the principle of trade cooperation. This will steadily promote all-round cooperation and special solidarity between Laos and Vietnam.

09884/06662

Factory Dependence on SRV, World Market Exports Noted

42060003b *Vientiane PASASON in Lao 22 Aug 87 p 2*

[Excerpt] The Clothing Factory's recent performance over the first 6 months of this year was satisfactory and exceeded projections that it would generate 18 million kip in income for the entire year. In only the first 6 months of the year, it generated 13 million kip in income, which covers more than three-fourths of the annual projected revenues. Based on this ability, the factory announced its changeover to an autonomous business and set a new projected target of 25 million kip in revenues.

Considering its present location and conditions inside the factory, it can be said that it would not be difficult for the workers and employees to realize the new projected figure set by the administration. In addition, the factory has other advantages because it has signed contracts with many customers. For example, it has signed contracts with the Ministry of Defense to produce mosquito nets with a total value of 29 million kip and also to produce white cloth with a value of 78 million kip.

The factory has manufactured millions of kip worth of products for international markets approved by the Ministry of Commerce and sent them to France for exhibition in order to progressively accelerate the expansion of markets to generate more income.

As we know, the Handicrafts Factory mainly manufactures fabrics, accessories, and other goods for fabric production. It is operated day and night. Its efficiency and performance are guaranteed.

Its performance is high because its administration has concentrated its attention on regularly implementing its policies for employees and workers to fully guarantee not only their welfare but also their standard of living. This is a strong foundation for expanding its work.

However, it does not mean that the factory does not have any difficulties at all. It has difficulties when machinery must be changed. Changing machinery parts has been delayed at the Khounta Factory because parts must be ordered from Hanoi. Delivery of parts is slow; orders are usually delivered within a month, but have been delayed up to 3 months, which has hindered production. Despite the old machinery, the workers have taken charge of maintenance; consequently, their work has improved.

Since the changeover to an independent business, the Handicrafts Factory and Saw Mill of Vientiane have been determined to perform their tasks and expand production urgently in order to generate adequate capital. Later, all three units—the 10 km Factory, the Phontong Handicrafts Factory, and the Khounta Factory—will be consolidated into the Vientiane Clothing Factory. It will have contracts to cooperate with Ho Chi Minh City and will purchase new weaving machinery in order to manufacture new products.

12597/06662

SRV, Mountain Development Cooperation in Bolikhamsai, Khammouane

42060003c *Vientiane PASASON in Lao 22 Aug 87 p 3*

[Unattributed article: "KM 20 Village-Minh Hai Province: Beautiful Laos-Vietnam Friendship"]

[Excerpt] Not only the people of Minh Hai Province have awaited the news about the implementation of the Treaty of Friendship and Cooperation between Laos and Vietnam since 1985, but also the people from Km 2, Kham Keut, Pha Thong, Na Kai, and Yommalat have wanted to hear it. A Minh Hai Province company has joined forces with companies in other locales of Vietnam and the Mountain Development Company of Laos to develop the mountainous areas in the eastern parts of Bolikhamsai and Khammouane Provinces. Minh Hai Province has provided initial funding, labor, and technology to contribute to the development of these mountainous areas by carrying out promised basic construction and the expansion of production. It has done this with the highest international socialist spirit and with solidarity between Laos and Vietnam. These have changed the face of this locale.

Prior to 1985, Km 20 Village was a remote village, with only 17 houses. Each section of Route 8A, which connects it to Vietnam, is being repaved. Route 88 from Km 20 Village to Yommalat deteriorated during the revolutionary war. Many years later, there was not a trace of

cars passing Pha Thong, a highland Lao village, with few houses and continuously threatened by bandits. Now, less than 3 years later, the situation in this area has changed tremendously.

Route 8A from northern Vietnam to Kham Kewat has been built to a higher standard, with a steel-frame concrete bridge. The paving is almost complete. Route 8B is being repaired. Road Bridge Confederation 8 of Vietnam is repairing the 114 km section between Km 20 Village to Nam Phao. At Km 20 Village, workers at a saw mill, woodworking factory, quarry, and brick factory are working hard. With the cooperation of Minh Hai Province, a pine resin factory and pharmaceutical factory are starting production. In addition, Minh Hai Province has also joined in developing Pha Thong District through construction of a 50-bed hospital, a woodworking factory, a parquet factory, and offices.

Minh Hai Province is also interested in exploiting the forests, along with preserving and planting trees. For example, it has germinated hundreds of thousands of plants in nurseries for the departments involved and planted these trees. A research laboratory is currently being built to experiment with local industrial crops.

Of even more value, Minh Hai Province has given its cooperation and aid to locales for research for medicinal plant roots, natural resources, and mines for refining ore for local use and for export. In other sectors, Minh Hai Province has supplied consumer goods, fabrics, medicines, and other local needs.

With other aid from the SRV, Minh Hai Province has contributed to the development of mountainous areas, in line with the party and state directives for long-term cooperation between Laos and Vietnam. This has developed firm confidence and happiness in the local people. The people praise the hard work, discipline, planning, and efficient work of the Minh Hai Province production force.

Many people are surprised that Minh Hai Province, which is located on the coast in southern Vietnam, is outstanding in exploiting forests and woodworking, and that it has close relations with and a good understanding of the Lao people.

Well, they do not show their faces at Km 20 Village only, but also at Pha Thong, Yommalat, and other remote villages. Some of the comrade advisors are 60 years old and already retired, but they are still alert and have volunteered to come to Laos to enthusiastically contribute their technological knowledge to the development of mountainous areas in the country.

Nobody has forgotten the hard work of these people during Vietnamese New Year in 1985. Then as requested by their Lao comrades, Minh Hai Province comrades said goodbye to their warm family New Year celebrations to volunteer to come to Km 20 Village. As soon as

they arrived, they started to repair and clear the road into the dense forests. They were able to accomplish their goal of taking logs eastward to the sea in a short time—an unprecedented event—to score an achievement to commemorate in a fraternal spirit the 30th anniversary of the formation of the LPRP.

The leaders of Minh Hai Province stated to their people that all tasks are to serve society in the province by responding to the needs of the people of Km 20 Village. Minh Hai Province made major contributions to cooperation between Laos and Vietnam (in particular, between Minh Hai Province and Km 20 Village) during this transition.

The relationship between Km 20 Village and Minh Hai Province shows the total overall cooperation between Laos and Vietnam and between the Cement Co of Minh Hai Province and the Mountainous Area Development Co of Laos in particular. Such meaningful cooperation is rare. Minh Hai Province and Km 20 Village have fraternal relations, based on a true international socialist spirit that no influence can disturb in any way.

12597/06662

CSSR Trade Protocol

42060002b Vientiane KHAOSAN PTHET LAO in Lao
5 Sep 87 p A5

[Text] The 1988 trade protocol between the LPDR and Czechoslovakia to expand bilateral trade was signed the evening of 4 September in Vientiane. According to the protocol, Laos will supply wooden goods, coffee, and other commodities. Czechoslovakia will supply consumer goods, beer factory supplies, soft drinks, and other commodities. Chanhphen Bounnaphon, deputy minister of commerce, and Jiri Nemec, deputy minister of foreign trade, signed the protocol. Vanthong Sengmeuang, minister of commerce, Tiri Misari Veccheck, ambassador extraordinary and plenipotentiary of the Socialist Republic of Czechoslovakia to Laos, and staff members from both sides joined in the ceremony. 12597/9274

Phoun Sipaseut Meets Vatican Envoy

42060002f Vientiane KHAOSAN PATHET LAO in Lao
10 Aug 87 p A3

[Text] The afternoon of 7 July, Phoun Sipaseut, deputy chairman of the Council of Ministers and minister of foreign affairs, welcomed Alberto Carico, the Vatican's new envoy to Thailand, upon his visit to Vientiane.

On this occasion, Alberto Carico gave a letter from Augustino Casaroli, the Vatican's state secretary, through Phoun Sipaseut to Kaysone Phoumvihan, chairman of the Council of Ministers of the LPDR.

Phoun Sipaseut stressed to the guests the importance of the ongoing relationship and cooperation between the LPDR and the Vatican, and informed them about the

political and economic situation in Laos. He also expressed his deep appreciation to the Vatican for past and present humanitarian aid. The meeting was conducted in an atmosphere of mutual understanding.

12597/9274

Major General Khampha Cites Thai Border Issues in Sayaboury

42060002e Vientiane KHAOSAN PATHET LAO in Lao 15 Aug 87, pp B5-B6

[Unattributed news report: "Comrade Major General Khampha Chaleunphonmisai Talks With People of Boten District, Sayaboury Province"]

[Text] Comrade Major General Khampha Chaleunphonmisai, a member of the Central Committee of the LPRP and deputy minister of defense, recently visited with the people of Na Kok and Mouang Ha Cantons in Boten District, Sayaboury Province.

His talk stressed the people's sense of mastery in carrying out the tasks of national defense and development of socialism, especially at a time when people of all ethnic groups in general, particularly those of Boten District, Sayaboury Province, must increase their sense of patriotism and awareness of land, territory, and national resources. They must decisively stop and punish undesirable persons, bandits, and robbers who sneak in from Thailand to cut wood and destroy our forests, which are the precious and beloved natural resource of the Lao people.

In addition, Comrade Khampha also pointed out the impartial policy of the LPDR, which has always wished to preserve its good neighborly and fraternal relations with Thailand. Based on this firm principle, Laos has decided to release five Thais who had violated the law by entering Lao territory to destroy Lao forests and were arrested by Boten District authorities on 1 June 1987. After the People's Court of Sayaboury Province decided to release them, Lao authorities took them to the Lao-Thai border to turn them over to Thai authorities. However, Major General Khampha stated that he did not know why the Thais have not yet come to take them. Nevertheless, the Lao are always ready to return these five Thais to the Thai authorities.

Major General Khampha reported that same day that he had talked with the administration and people of Bosan Village, Na Bo Noi District. After his short talk, the people had firm confidence in our party and state. The talk encouraged and strengthened the people's spirit in participating in the national defense and national security duties in their locale.

12597/9274

Champassak-Ho Chi Minh City Friendship Shop
42060002d Vientiane KHAOSAN PATHET LAO in Lao 29 Aug 87 p A5

[Text] The Champassak-Ho Chi Minh Friendship City Shop was very active and in control of distributing various goods at the beginning of 1987 in order to expand state and collective trade. It played a role in leading the progressive improvement of living standards. During the first 6 months of the year alone, the shop distributed a great volume of industrial and consumer goods, with a value of 40.74 million kip, including cash sales of 40,384,000 kip. 12597/9274

Champassak District Security Improves

42060009a Vientiane KONGTHAP PASASON LAO in Lao 1 Oct 87 p 2

[Article by K. Khounnousai: "Sanasomboun District Guerrilla Unit"]

[Text] Over the past 10 years Sanasomboun District in Champassak Province has had confusing evidence of the reactionary movement. The party committee, the administrative committee, and the provincial military headquarters have used this district as an experiment for constructing the regional forces by improving the quality and responsibility in patrolling the people's collective production base area. After nearly a year of struggling to improve and expand the regional forces, the guerrilla force in the district realizes its role as the owners of the locality, and the [social order] has been improved. Undesirable phenomena such as illegal trade in the population base has decreased right in front of their eyes. There has been an admirable expansion in the people's collective production. The structure for organizing guerrilla units and self-defense forces has been many times strengthened. There has been regular cooperation between the local companies for patrolling the territory, such as securing the protection of the Se Labam electrical power plant. The people's cooperation production base and the district agricultural settlement have been carrying out their duty. The luxurious and gambling-ridden society was completely abolished, and superstitious beliefs have gradually disappeared.

09884/06662

General Nakhon Attends Mountain Unit Conference

42060009b Vientiane KONGTHAP PASASON LAO in Lao 17 Sep 87 pp 1, 3

[Unattributed news report: "Mountain Area Development Company Ends Conference Summarizing Its Experience Over 3 Years"]

[Text] On the afternoon of 14 August 1987 the conference to summarize the lessons learned by the Mountain Area Development Co [MADC] over a 3-year period was officially ended after having been held for 4 days under the chairmanship of Comrade Cheng Sayavong.

Participating in the closing day were Maj Gen Nakhon Sisoumon, member of the party Central Committee, vice minister of national defense, the party committee and the administrative committee of Khamkeut District, and the administrative committee of Keng Deng Canton, along with the work units, work sections, factories and various branches under the MADC.

During the meeting the participants listened to the results of the 3-year work period by the chief of the board of directors of the company, and they then discussed together the strengths and weaknesses and the unfinished work, and also discussed various problems using new creativity so that it will be consistent with the direction and the policy of the party and government in the new phase.

At the close of the meeting Nakhon Sisoumon gave a speech in which he first of all praised our achievements, and he also advised those who attended how to more successfully carry out the government plan and also the MADC plan set for the coming years.

09884/06662

Vientiane Military Recruitment

42060003d Vientiane KHAOSAN PATHET LAO in Lao 30 May 87 p A 4

[Excerpt] In May, 96 youths, including 30 females, from Phone Hong District, Vientiane Province, happily volunteered to serve the country by participating in the national defense task for the nation's security. They have two strategic duties: to defend the country and develop and strengthen socialism in every area in their hometown.

12597/06662

Division's Supply System Described

42060002h Vientiane KHAOSAN PATHET LAO in Lao 5 Aug 87 pp A2-A3

[News report: "Performance of Quartermaster's Office of Division F"]

[Text] In the first 6 months of 1987, each section of the Quartermaster's Office of Division F accomplished its duty of supplying the division according to plan and under the direction of the quartermaster major. The Quartermaster's Office of Division F has received and distributed 150 tons of various goods and 67 tons of white rice, supplied 2 tons of meat, raised 600 cattle, buffalo, and poultry, farmed rice in the midlands and grown sesame seeds on more than 30 ha, dug 20 fish-ponds and put 5,000 fish in these ponds, produced bricks, and hauled 1,780 tons of goods in 450 trips. In addition, the Quartermaster's Office has also regularly paid great interest to the health of employees and soldiers by sending medical staff 16 times to distribute documents about preventing and fighting hot season diseases and 5 technical publications of the medical

corps to various sections. Two thousand persons attended, 1,750 were treated, 3.3 percent of the division's personnel had physical checkups, delivered 200 kg of medicine from the medical corps and distributed it to various sections per the monthly plan. A medical training section also trained 70 comrades in medical areas, and 95 percent of the construction of a medical school they set up is completed. The Quartermaster's Office also built a warehouse and a permanent restaurant, and dug two 20-cubic-meter reservoirs.

12597/9274

Route 13 Under Repair

42060002i Vientiane KHAOSAN PATHET LAO in Lao 30 Jul 87 p A4

[Text] Since May of this year, the cadres and workers of the Republic Road Construction Company for Route 13 south of Champassak Province have been repairing Route 13 from Km 8, Pakse District, to Veunkham, a total length of 168 Km. Comrade Somphon Saignavong, chief of repair projects for this route, reported that it had taken them 2 months to repair 30 Km of the route. The workers of this unit are now working hard to complete the project by the deadline.

/9274

Savannakhet District Trade Reported

42060006d Vientiane PASASON in Lao 1 Oct 87 p 2

[Article by Voladet: "Phin District Trade Becomes Well Involved With the People"]

[Excerpts] Phin District in Savannakhet Province now has 3 state stores, 9 cooperative stores, and 19 purchase and exchange cooperatives in each canton.

In the first 6 months of 1987 the district trade brought its industrial goods such as textiles, blankets, and other things for distribution and exchange with the people with a total value of more than 34 million kip, including distribution to the district store and collective work units, and has turned over to the grassroots goods valued at over 20 million kip. The district purchase unit has also purchased a great deal of ricefield and forest products from the people, such as 7 tons of benzoin, 93 kg of sesame seeds, 365 liters of honey, 36 tons of Bong bark, 39 tons of resin, and more than 1,000 tons of rice. The district supply unit also purchased 137 buffalo and cattle valued at over 2 million kip and sent them to the central administration and the province, along with 76 buffalo and cattle and over 1 ton of pigs and poultry having a total value of over 1 million kip.

The comrade chief of the statistics and plan for the Phin District trade section also told us that in order to make the circulation and distribution of goods within the district more effective, they will distribute different kinds of goods

needed by the people, such as zinc, textiles, etc., and will also strengthen and improve the existing trade mechanism and make it into a better system.

09884/06662

Party Daily Urges Vegetable Growing for Free Market

42060006b *Vientiane PASASON in Lao* 27 Oct 87 p 1

[Editorial]

[Excerpt] Over the past 10 years vegetables were among the goods we had to import. This is why prices for them were high and there were often shortages. After national liberation, by being self-dependent and self-sufficient we have looked for ways to exercise our ability according to the policy of the party and government regarding the growing of vegetables, which has become extensive. Vegetables are grown both because a family wishes to be self-sufficient and also, in many places, for supplying the markets, so that there will be many kinds of vegetables in our markets and an increase in volume. We should encourage this phenomenon in order to be able to meet our needs.

However, in order to make this year's vegetables growing more effective than in years past, administrative committees at all levels, and especially the agricultural section, besides mobilizing to grow vegetables more extensively, must pay attention to helping the farmers and the families of cadres, soldiers, and police by providing them with such things as tools, equipment, vegetable seeds, and various kind of vegetable plants in a manner that is timely and that is suitable for the actual situation. Also, we should not overlook the matter of distribution or take it lightly. Besides bringing vegetables to be sold in the market by themselves, there are other ways to do this. For example, a cooperative may organize to purchase them and then sell them to collective kitchens for offices, organizations, and schools, or the vegetables can be preserved by pickling or drying, especially onions, garlics, hot peppers, etc. This will solve the problem of having too much and no place to distribute it. If this can be done, it will provide a real boost, and vegetable growing will become extensive in terms of both quantity and quality.

If each of us grows two vegetable beds, this will increase vegetable production and will help to provide plentiful vegetables for the markets in our country. The standard of living for cadres, soldiers, and the people will gradually improve, and vegetable-growing will also serve as a source of income for our families.

09884/06662

Construction Ministry Units Get Business Autonomy

42060003f *Vientiane KHAOSAN PATHET LAO in Lao* 29 May 87 p A 1

[Excerpt] On the morning of 26 May, there was a ceremonial signing at the Ministry of Construction to mark the granting of autonomy to three production units: the 1 May Cement Plant in Tong Pong, the Houay Dua Brick Plant, and the Quarry and Sand Units of Khouay Deng. Bounliang Oudomsai, director of the Tong Pong Cement Plant; Sisana Senphimmachak, director of the Houay Dua Brick Plant; and Manikuat Thepvongsa, chief of the Quarry and Sand Units of Khouay Deng, signed the investment allocation and receipt forms, in the presence of Kemphone Phuyaseut, undersecretary of the Ministry of Construction and also chairman of the business reform guidance committee; Khambu Sounixai, a party Central Committee member and chairman of Vientiane Municipality; the Central Committee's business reform guidance committee; and other staff, state employees, and ministry workers.

12597/06662

Savannakhet Bank Deposits

42060003e *Vientiane KHAOSAN PATHET LAO in Lao* 30 May 87 pp A 4, 5

[Excerpt] People have been very interested and enthusiastic about making deposits in banks in Savannakhet Province, especially during the past 3 months when they deposited up to 2.4 million kip in savings accounts. In 1986, people throughout Savannakhet Province deposited about 12.7 million kip in savings accounts.

12597/06662

Xiengkhouang District Trade Volume

420660003a *Vientiane PASASON in Lao* 22 Aug 87 p 1

[Excerpt] During the first 6 months of 1987, stores in Nong Hed District, Xiengkhouang Province, were able to purchase a lot of agricultural products and forest goods from the people. The value of goods was estimated at 11 million kip, which represents 57 percent of the target. Goods included 14 tons of top-quality papaya, 3 tons of cardamom, and 6 tons of rice. In addition, there were yarns, red resin, soy beans, corn, animal bones, copper, and many tons of other goods.

12597/06662

Malaysia-Canada Military Cooperation

42000163b Kuala Lumpur BUSINESS TIMES in English 11 Dec 87 p 2

[Text] Malaysia hopes for closer military cooperation with Canada, especially in the training of armed forces officers, Defence Minister Tengku Ahmad Rithauddeen said yesterday. "We hope more training places will be given to Malaysia in the future," he told reporters after Canadian Chief of Defence Staff Gen Paul D. Manson called on him at the ministry in Kuala Lumpur. He said that in return, the Defence Ministry is prepared to offer facilities for training Canadian officers. Tengku Rithauddeen said there had been exchanges of military officers in the past. Between 1970 and 1977, eight Malaysian officers had been trained in Canada under its Military Training Aid Programme (MTAP). The ministry has identified several areas of military studies in Canada for which it intends to send its officers, he added.

/06091

Areas of Cooperation With Finland Identified

42000163a Kuala Lumpur BUSINESS TIMES in English 11 Dec 87 p 2

[Article by Loh Sook Wan]

[Text] Malaysia and Finland have identified more areas for economic and technical cooperation. These include building construction, forestry, exploitation of peat, data transfer, hospital equipment manufacturing, weather observation and dam safety technology.

The new areas for cooperation were selected during an economic conference in Helsinki in October this year, the commercial secretary in the Finnish Embassy in Kuala Lumpur Mr Matti Vinha told BUSINESS TIMES yesterday.

Both countries have entered into an Agreement on Economic and Technical Cooperation in 1983 and since then, Finland has been sending technical experts for attachment in several government departments, like the Telecoms in Malaysia.

The October meeting in Helsinki added more areas for technology transfer and possible joint ventures between Malaysia and Finland, Mr Vinha said.

The Malaysian delegation to the October meeting comprised senior officials from the Economic Planning Unit, the Ministry of Trade and Industry, the Malaysian Industrial Development Authority and the Ministry of Foreign Affairs.

Mr Vinha said Finland is now encouraging other Finnish companies to seek out projects for joint ventures where Finnish technology can be utilised.

He said Malaysia's current emphasis on providing more low-cost houses poses a challenge for Finnish construction firms which are looking for joint ventures in the region.

Finnish construction firms are moving into the building of low-cost houses although they used to concentrate only on large-scale projects, he added.

Meanwhile, the feasibility study for the proposed joint venture of a methyl tertiary butyl ether (MTBE) plant in Kuantan will be completed by end of the year.

The principal shareholder will be Petronas while Neste, the Finnish national oil company, will have some shareholding. Idemitsu Petrochemical, a Japanese company, is expected to be the third shareholder with minority stake.

Neste is likely to undertake the construction of the MTBE plant and polypropylene plant, estimated to cost US\$320 million (US\$1 = \$2.50).

The MTBE plant will also produce propene, the main raw material in polypropylene. For this reason the two plants will form an integral whole.

Mr Vinha said the participation of Neste in the project reflects the efforts of Malaysia to obtain foreign partners to exploit the nation's natural resources.

He urged Finnish companies to seek out similar projects where Finnish technical know-how could be utilised.

The volume of trade between Finland and Malaysia last year slipped below \$150 million and the declining trend is expected to continue in 1987.

The decrease has been mainly due to a fall import of transportation machinery from Finland during the last two years. This has also brought the trade balance in Malaysia's favour.

Malaysia's traditional imports from Finland are paper (60 per cent), transport equipment (17 per cent), iron and steel (8 per cent) and other metal manufactures (4 per cent).

Finland's imports from Malaysia are rubber (26 per cent), electrical components (33 per cent), textile (13 per cent) and frozen seafood (5 per cent).

/06091

Steady Increase in Foreign Investments
42000154b Kuala Lumpur *BUSINESS TIMES* in
English 5 Dec 87 p 1

[Article by Hardev Kaur: "Steady Investment Rise"]

[Text] Foreign investments in Malaysia increased by some 550 per cent in the 15 years to 1986—to \$528.41 million in 306 projects from \$96.32 million in 182 projects in 1971.

Cumulative foreign investments in 4,675 projects, including hotels and tourist complexes, from 1971 to 1986, was valued at \$4,636 billion. These investments are estimated to have generated some 636,900 job opportunities in the country.

Between 1980 and 1986, a total of \$2,822 billion was invested by foreigners in 2,281 projects. In the first 10 months of this year, a total of \$455.83 million was approved by the Malaysian Industrial Development Authority (Mida).

The largest amount of foreign investments during the 15-year period was from Japan totalling \$893.78 million in 611 projects, followed by \$500.44 million from Singapore in 937 projects. Next were investments from the United Kingdom (\$450.89 million in 333 projects) and the US (\$329.06 million in 265 projects).

Years	Foreign Equity in Projects (Including hotels and tourism complexes)		
	No of projects	Jobs created	Equity (\$mil)
1971-1975	1,366	245,968	918.79
1976-1980	1,327	163,452	1,143.65
1981-1985	1,676	194,438	2,045.39
1981-1986	4,675	636,926	4,636.23

The Japanese, the second largest group of foreign investors in the country after the Americans in 1971, increased their capital in the Malaysian industrial sector by 14 per cent in 1972. The largest amount invested by the Japanese in any single year was in 1979 when they put in \$152.74 million in 49 projects. In that year, they accounted for 30 per cent of total foreign equity in various projects.

Malaysia's investment incentives have been well received by foreigners as is evident from the level of foreign capital that came into the country last year. Figures compiled by Mida show that in terms of value, the largest amount of foreign investments in the 15 years was in 1986 when a total of \$528.41 million was invested. The second highest level was in 1982 with \$527.60 million.

The record level of foreign investments last year, despite the fact that the world economy was sluggish and there were more countries vying for the same investment dollar, shows that Malaysia is still considered an attractive place.

Foreign investments, which fell by some 38 per cent to \$329.09 million in 1983 from \$527.60 million in 1982, remained relatively unchanged at the \$300 million level for the three years to 1985.

In an effort to provide a boost to attract more foreign investments, Prime Minister Datuk Seri Dr Mahathir Mohamad announced more attractive incentives for foreign investors in October 1985.

The more attractive incentives announced by the Government, enabling foreigners to keep majority stakes in the projects coupled with the reduction in red tape, helped bring in more foreign capital.

The result of untiring efforts on the part of the Government, in the form of investment seminars and trade missions, is clearly evident not only from the increased enquiries received by Mida but also in the amount that has been committed by investors.

While the number of projects approved declined from 360 in 1985 to 306 last year, the amount committed increased by about 46 per cent from \$361.29 million to \$528.41 million.

During the 15 years, the sources of foreign capital had also been diversified. While in 1971 the capital came essentially from Singapore, Japan, Hong Kong, the US and the UK, last year the largest foreign investor in the country was the Netherlands. The high investments from the Netherlands were for a project to manufacture gas oil, kerosene and naphtha.

Last year, there were also investments from countries like Sweden, Switzerland, Norway, South Korea and Yugoslavia. There were no investments at all from those countries in Malaysia in 1971.

08309

Plans To Use Country as 'Gateway' for Indian Exports
42000158a Kuala Lumpur *NEW STRAITS TIMES* in
English 7 Dec 87 p 19

[Text] New Delhi: India plans to use Malaysia as a gateway for its export to South-East Asia of items such as machine tools, Malaysian Primary Industries Minister Datuk Dr Lim Keng Yaik told a news conference here.

Datuk Dr Lim said at the end of a four-day visit with Malaysian Finance Minister Daim Zainuddin that this was one of the proposals brought up during discussions on ways to reduce the gap in their bilateral trade, now heavily in favour of Malaysia.

India, the world's largest edible oil buyer, buys large amounts of palm oil from Malaysia every year.

"Indian-made high precision machinery is in a good position to compete with goods from Taiwan, South Korea and Japan because the currencies of these countries have risen sharply recently," Datuk Dr Lim said, but did not elaborate.

He said after talks with Indian Finance and Commerce Minister Narain Dutt Tiwari that India would hold a trade fair in Kuala Lumpur in January to promote its products.

India and Malaysia have agreed to increase the number of joint ventures which could be set up in Malaysia to help cut the trade gap.

The bilateral trade gap widened 13 per cent in the first seven months of the year to \$404.8 million in Malaysia's favour over the same period last year.

Bilateral trade totalled \$1.14 billion in 1986 with India's imports exceeding exports by a ratio of four to one.

"One of the ways is to ask for technically-advanced Indian companies to bid for projects in Malaysia," he said, identifying power generation, civil and water engineering works and rail transport as areas where Indians might hold an advantage.

He added that India had asked Malaysia to centralise identification of these projects to further improve Indian firms' prospects.

He said India's main State trading agencies, the Minerals and Metals Trading Corp and the State Trading Corp recently set up a consortium to identify Indian firms which could bid for Malaysian projects.

Turning to edible oil exports, the Minister said he and Encik Daim had asked the Indian Government and Indian companies to consider investing in Malaysian oil palm estates, to give Indians a stake in the palm oil industry.

In turn, Malaysian firms could invest in "upstream" palm oil projects such as the manufacturing of soap.

Malaysia has asked India to enter into long-term arrangements for the import of Malaysian palm oil.

"This is a natural development and in order to stabilise the markets we want to source some of it long term."

Malaysia plans to raise its share of the multi-billion dollar world edible oils and fats market by stepping up annual palm oil production to six million tonnes by 1995 and eight million by the year 2000 from 4.5 million tonnes currently.—Bernama ES- Reuter

08309

Mahathir To Inaugurate Islam Awareness Program

42130056a Kuala Lumpur UTUSAN MALAYSIA in Malay 9 Dec 87 p 2

[Text] Alor Setar, 8 Dec—Prime Minister Datuk Sri Dr Mahathir Mohamad has a tight schedule of visits in Kedah tomorrow night and Thursday [10 December].

He is to meet with the UMNO Committee of Kubang Pasu Division tomorrow night at 2000 at the chief minister's official residence at Mentaloan, near here. The agenda for Thursday begins at 0900, when he will inaugurate the "Islam Awareness" course being given for 1,000 mosque prayer leaders, religion teachers, and community leaders at the Al-Aqsa Mosque at Jitra.

The prime minister will then make an official visit to Malaysian Northern University (UUM) at Bandar Darulaman, near Tanah Merah, at 1100. Besides touring the campus, he is to be given a private briefing by UUM Vice Chancellor Prof Tan Sri Awang Had Salleh.

Datuk Sri Dr Mahathir will return to Kuala Lumpur at 1630 that afternoon.—BERNAMA

6942

Islam Not Against Nationalism, Says PM's Office
42000176a Kuala Lumpur NEW STRAITS TIMES in English 15 Dec 87 p 5

[Text] Kuala Lumpur, Mon.—Nationalism should not be confused with fanaticism, Minister in the Prime Minister's Department Datuk Dr Yusof Noor said today.

He said nationalism had been wrongly translated by certain quarters out to create unrest and chaos in the Muslim community.

He added that certain groups of people, by twisting the meaning of nationalism and branding those who subscribed to it as assabiyah, had deviated from the true path of Islam and were only out to create chaos.

Speaking to reporters after opening a seminar for the Army Religious Corps, Datuk Dr Yusof said nationalism was not contrary to Islam.

"Islam is not against nationalism and therefore it is wrong to say that nationalism is assabiyah, as the word relates to fanaticism which is un-Islamic," he said.

Nationalism forms the means for society to strengthen its values and should not be compromised, he said.

It should instead be defended at all costs.

Datuk Dr Yusof cited the example of how the African States had gained their independence through nationalism. Had they not subscribed to it they would still be "shackled by the chains of European colonisation."

"Now the African States have been able to minimise friction and reduced factionalism through nationalism," he said.

He added that, like the African States, the Malays should strengthen their spirit of nationalism as it was in line with the teachings of Islam.

The Armed Forces, he said, should always be constantly alert against deviationist teachings.

Datuk Dr Yusof hoped that no one in the army should think that defending nationalism was against the teachings of Islam.

He also warned the Army not to be influenced by the so-called Islamic spiritualists who claimed to be well versed in the teachings of Islam, but turned out to be deviationists.

"These people claim they are teaching Islamic spiritualism, but nobody knows what their sources were. And these people cannot prove their teaching had come from true Islamic teachings," he said.

These people, he added, are those who have reacted against materialism and thus advocate deviant Islamic teaching in the name of Islam.

Datuk Dr Yusof said Islamic spiritualist teachings could have originated from the West.

"The Army cannot afford to be influenced by these kinds of teachings."

When asked to be specific, Datuk Dr Yusof said some of these deviationists were from the zikir group.

/06091

Curbing Deviant Islamic Groups Urged
42130046b Kuala Lumpur BERITA HARIAN in Malay
30 Nov 87 p 6

[Text] Kuala Lumpur, 29 November—The government will continue to take legal action against deviant groups which carry on activities in conflict with Islam.

In addition, an effort will be made to make the public aware of these deviant teachings.

Dr Yusof Noor, minister in the Office of the Prime Minister, said that the Offices of Islamic Religious Affairs in the states will be given authority to take legal action against deviant teaching, including religious practices which deviate from Islam.

He declared: "The Offices of Islamic Religious Affairs naturally should take legal action against individuals and groups which carry on religious services which are in conflict with Islamic teaching. In addition, they should make the public aware of this matter."

Indeed, he said, in contrast to other Islamic countries, Malaysia is trying to wipe out deviant teaching and practices.

He stated: "We are beginning with deviant teaching and practices which are mistaken and which deviate from the norm, while most Islamic countries allow such practices to continue."

He knew for certain that deviant practices are carried on secretly, accompanied by music, dancing, and so forth.

According to Minister Yusof Noor, the Islamic Center will issue guidelines regarding practices considered to deviate from the requirements of Islam. These will be made available at Islamic prayer centers and mosques and will also be made public.

Datuk Doctor Yusof said that every Islamic community in this country, including Malay, Chinese, Indian, Pakistani, Bangladeshi, and Indonesian and other Muslim groups, has its own deviant groups.

He said that for this reason the problems of the Islamic community in this country are more difficult than in Islamic communities in other countries.

He said that the substance and aims of the practices followed by the communities involved can be approved of, but the problem lies in the way in which they practice them.

List

Up to now 18 unregistered organizations throughout the country are definitely known to carry on deviant practices, while 23 other groups are being investigated by the Research Unit of the Islamic Affairs Section of the Office of the Prime Minister.

A list of the names of these bodies will be made public at the Third National Seminar on Islamic Mysticism [Seminar Sufi], which will be held at the Islamic Center for 2 days, beginning on 7 December.

At the seminar Datuk Ahmad Shahrir Haji Daud, the imam [prayer leader] at the State Mosque, will preside over a service which will be open to both women and

men. This is the first time that such a service will be presented at the national seminar, and it will be made a permanent part of the program at future seminars.

The service will include proper religious practices, such as those followed by the Prophet Mohamad.

05170

Islamic Workshop Held

42000149b Kuala Lumpur *BUSINESS TIMES* in English 4 Dec 87 p 2

[Text] A two-day workshop will be held at the International Islamic University (IIU) from December 11 to seek a common ground between the civil and the Islamic approaches in the administration of criminal justice in the country. The workshop will identify the alternatives in Islam as a practical alternative solution for the creation of a crime-free peaceful and harmonious society, IIU's Syaikh of the Law Kulliyah Prof Tan Sri Ahmad Ibrahim said yesterday. He told a news conference the workshop will seek solutions to several problems including the rising crime rate, congestion in prisons and welfare of prisoners. The workshop, jointly organised by the Kulliyah and the Malaysian Syariah and Law Association (Persuma), is the first series of the Kulliyah's programme on comparative studies of laws. It will discuss four main topics—the pre-trial process, remand, the rights of the accused and sentencing from the aspect of Syarak (Islamic) laws.

08309

Press, Police Acts Amendments Passed

42000150b Kuala Lumpur *NEW STRAITS TIMES* in English 5 Dec 87 p 1

[Text] The Dewan Rakyat yesterday passed the amendments to the Printing Presses and Publications Act, 1984, and the Police Act, 1967.

Both Bills were tabled for second reading by Datuk Seri Dr Mahathir Mohamad who is also the Home Affairs Minister.

The amendments to the Printing Presses and Publications Act, 1984, was tabled for second reading yesterday. Debate at the committee stage was adjourned to today.

Deputy Home Affairs Minister Datuk Megat Junid Megat Ayub announced, during the committee stage, that the Government was dropping one provision in Section 7.

This provision relates to the power of the Home Affairs Minister to prohibit absolutely, or subject to conditions as he may prescribe, the printing, importation, production, reproduction, publishing, sale, issue, circulation, distribution or possession of the publication and future

publications of the publisher concerned if any article is prejudicial to the relationship between the Government and a foreign country or a foreign Government.

Datuk Megat Junid said that the Government was dropping the provision as it did not want to be seen as favouring a particular country in reports by the Press.

The other provisions allowing the Minister to act under this Section 7 remain. It relates to articles and others that are prejudicial or likely to be prejudicial to public order, morality, security, or which is likely to alarm public opinion, or which is or is likely to be contrary to any law or is otherwise prejudicial to or is likely to be prejudicial to public interest or national interest.

The amendments to the Police Act were tabled for second reading by Dr Mahathir today.

The Dewan Rakyat is adjourned to Monday to debate 11 more Bills.

08309

Government's Liberal Policy Abused, Says Home Minister

42000150a Kuala Lumpur *NEW STRAITS TIMES* in English 5 Dec 87 p 3

[Text] Deputy Home Affairs Minister Datuk Megat Junid Megat Ayob spent the greater amount of his winding up speech castigating the DAP after the debate on the amendments to the Police Act of 1967.

He accused the opposition party of abusing the right to free speech by telling "a lot of lies."

He alleged that the DAP had been lying since it was first formed.

He said the DAP's persistence in instilling fear that the country was on the verge of racial riots was the reason why some Malaysians were emigrating.

He dismissed DAP allegations that recent arrests under the Internal Security Act (ISA) were the reason behind the emigration.

The DAP must admit to their fault and "stop twisting the facts," he said when winding up the debate on amendments to the Police Act of 1967.

Datuk Megat Junid said the DAP had abused the Government's liberal policy.

He said that if people understood the true meaning of democracy and the responsibility behind it, then there would be no need for legislation of laws.

"It is because of the antics of parties like the DAP which do not know how to control themselves that we need laws like these," he added.

Datuk Megat Junid said the Government will act cautiously when implementing the amended Police Act and would still allow opposition parties to exist.

He reminded the DAP that in some countries, opposition parties were not allowed to exist.

"In Malaysia, opposition parties thrive," he said.

"But in the DAP itself, there exists a certain amount of authoritarian control, with undesirable members being purged."

Assuring the House that the power to order road blocks would be exercised carefully, Datuk Megat Junid said the Government was aware of the implications of such actions.

He described as "ridiculous" the allegation that the exercising of such powers would imply that the country was at war.

"If this was the case, then we would not have the luxury to be here and legislate laws and, furthermore, this august House would not exist at all," he said.

"Such laws are legislated because the Government believes that prevention is better than cure. It would be pointless to wait until a 'war' has ended to legislate laws."

He said that the Government had to take firm action recently to stop a series of assemblies from being held because it could have triggered off a civil war.

That was why the Umno rally on Nov 1 was stopped, he said.

08309

MCA President on Freedom of Press

42000151c Kuala Lumpur NEW STRAITS TIMES in English 5 Dec 87 p 4

[Text] Kuching, Fri.—Malaysian journalists must realise that "freedom of the Press" means having a "certain maturity" to understand their responsibility to society, MCA president Datuk Dr Ling Liong Sik said today.

Commenting on the amendments to the Printing Presses and Publications Act (1984), Datuk Dr Ling said contrary to what people might say, the Malaysian Press had not been "gagged" and they could carry on reporting as normal as long as they did not write "false reports."

Datuk Dr Ling, who is making a four-day visit to Sarawak in his capacity as Transport Minister, told a Press conference at the Kuching International Airport this afternoon: "All (Malaysian) pressmen know that we practice freedom of the Press. But with freedom comes responsibility.

"And responsibility must be in the context of the kind of society you live in. There must be a certain maturity before responsibility can be given side by side with that we call freedom."

Main thrust

He said the amendments to the Act would ensure that journalists carried out reasonable checks to ensure what they were writing was true.

He said that the printing presses law was a necessary measure under the present circumstances because the main thrust of the Government and concentration of the people should be on economic matters.

Datuk Ling said the Government faced major challenges such as checking the unemployment problem at a time when the country is undergoing a recession.

"I think the main thrust of the Government and the people should be economic matters, improving the investment climate for investors, increasing productivity of the people and checking the unemployment problems. These are the major challenges.

"Let's reduce the level of politicking (through the Press) which may distract the people from the main task. I think the Press must be held, to a certain extent, responsible for the different minor crises we have gone through in the past," he added.

08309

Objective Reporting Urged by Information Minister

42000159a Kuala Lumpur NEW STRAITS TIMES in English 8 Dec 87 p 10

[Text] Kuala Lumpur, Mon.—Information Minister Datuk Mohamed Rahmat today hit out at a small group of journalists whom he said is willing to migrate to other countries to continue discrediting the Government after failing to bring it down from within the country.

He said some among them, harbouring grudges, had fabricated news and supplied malicious reports to the foreign Press and magazines to create the impression that nothing about Malaysia was good.

They were also willing to become "paid tools" of certain overseas groups having the same objective of running down and toppling leaders elected by the people through

the democratic system of this country, he said in a speech at the opening of a two-day seminar on Journalists—To Know Our Government here.

The speech was read out by the Ministry's Secretary-General Datuk Dr Mohamad Noor Ghani.

Denial

Datuk Mohamed said the actions of these journalists in trying to instigate hatred and overthrow of the Government and the leadership were a blatant disrespect of popular wishes and decisions and had made a mockery of the majority voice of the people.

Their attempt to force the people into resorting to this action was a denial of the basis of democracy in this country which gave the people the right to choose the Government of their own liking through the process of elections.

He believed this situation would not happen if journalists were always objective in viewing, assessing and reporting matters that needed to be made known to the people for consideration and decision.

They should be fair to the Government elected by the people and write accurate and truthful reports for which they were held accountable.—Bernama

08309

SDP Members Joining UMNO

42000150c Kuala Lumpur NEW STRAITS TIMES in English 5 Dec 87 p 7

[Text] Kuala Lumpur, Fri.—Four central committee members are among 161 members of the Sepakat Democratic Party (SDP) who resigned today to join Umno.

They are Encik Abu Samah Majid, Haji Wan Hassan Wan Mahmud, Encik Mohamed Yunus Abdul Munir and Encik Abu Bakar Mat Taib.

Encik Abu Samah, who acted as spokesman for the group, said applications by the 161 to join Umno had been submitted to its secretary-general, Datuk Seri Sanusi Junid.

Datuk Seri Sanusi, who was present at the news conference, said the applications would be submitted to the Umno supreme council.

Malay members

Encik Abu Samah said the group believed that Umno was the only party that could champion the interest of the Malays.

Both Encik Abu Samah and Haji Wan Hassan pledged that they would be meeting the Malay members of SDP to explain the reasons behind their leaving the party. He claimed that 50 per cent of the 20,000 SDP members are Malays.

He felt that the Malays should give their wholehearted support to Datuk Seri Dr Mahathir Mohamad.

Datuk Seri Sanusi, describing the decision of the group as a brave one, said this showed the confidence the former SDP leaders and members had in the Government under Dr Mahathir.

SDP secretary-general Mr Fan Yew Teng, contacted for comment, said Encik Abu Samah and the rest had the democratic right to remain or leave the party.

He also wished them the best of luck.

08309

Information Ministry Notes Rise in Unemployed Graduates

42130050d Kuala Lumpur BERITA HARIAN in Malay 5 Dec 87 p 4

[Text] Kuala Lumpur, 4 December—Haji Dusuki Ahmad, Parliamentary secretary of the Ministry of Information, said that the total number of unemployed school graduates holding diplomas and lower school certificates throughout the country has now risen to about 470,000.

He said that, out of that total, 130,000 hold Malaysian Educational Certificates [Sijtl Pelajaran Malaysia—SPM], while 75,000 others hold Lower Education Certificates [Sijtl Rendah Pelajaran—SRP].

Speaking at the official opening of the Ibnu Sina Residence Dormitory at the University of Malaya in Kuala Lumpur on 4 December, he said that on the average the unemployed graduates are from 15 to 29 years old.

According to him, although the total number of unemployed, and particularly university graduates, has increased, he also showed the success of the government with the New Economic Plan (Dasar Ekonomi Baru) in increasing the number of trained persons among the people.

Haji Dusuki also warned the unemployed, and particularly university graduates, not to hope for employment with the government when they complete their studies.

05170

Communist Terrorists Allowed To Return to Society

42000151b Kuala Lumpur NEW STRAITS TIMES in English 5 Dec 87 p 4

[Text] The Government is prepared to consider requests by any communist terrorist (CT) group to be allowed to return to society after giving up their struggle, Deputy Home Minister Datuk Megat Junid Megat Ayob said yesterday.

He said the number of CTs still active in the jungles had been reduced to an estimated 157 in Peninsular Malaysia and 42 in Sarawak.

Replying to a question from Senator Haji Abdul Hamid Latiff in the Dewan Negara, Datuk Megat Junid said in the fight against the CTs, the Government had carried out socioeconomic development programmes aimed at improving and upgrading the lot of the people.

The Government also countered CT propaganda so the people would not get influenced by it.

Security forces operations against CT remnants would be continued, he said.

To a question from Senator Hajah Salbiah Mohamad Akim, he said the remnants were detected operating in Perak, Kelantan, Pahang, Selangor, Negeri Sembilan and Johore.

He said because of the large size of the States and the thick jungles, it was difficult to hunt them down.

Replying to a question from Senator Haji Abdul Majid Abdullah, he said persuading the CTs to give up their struggle took time because they had been long indoctrinated in the communist ideology.

Datuk Megat Junid told Senator Mustafa Awang that according to information available to the Ministry, no ex-serviceman had joined the CTs.

Replying to Senator Valli Muthusamy, he said the total number of permanent residents in the country was 331,547.

He said anyone wishing to be a citizen had first to apply and the application would be considered only if he or she was eligible for citizenship in accordance with the stipulations of the Federal Constitution.

Deputy National and Rural Development Minister Datuk Mohamad Tajol Rosli Ghazali, replying on behalf of the Home Minister, said no restriction order was made against dadah addicts.

Dadah addicts were sent to rehabilitation centres for treatment and rehabilitation for two years.

Following this, they would undergo a two-year after-care programme where they were allowed to leave the rehabilitation centre but be under the supervision of a dadah rehabilitation officer.—Bernama

08309

Communist Party of Malaysia Seeking Support

42000158c Kuala Lumpur NEW STRAITS TIMES in English 7 Dec 87 p 2

[Text] Teluk Intan, Sun.—The Communist Party of Malaya (CPM) is now focusing its attention on professionals and those in high society for support, Deputy Home Affairs Minister, Datuk Megat Junid Megat Ayob said today.

He said the CPM was trying to lure these people to contribute to communist activities through the so-called United Front.

Its target groups included millionaires, community leaders and lecturers, he told reporters after a dialogue session with settlers of Bukit Chawi padi planting scheme in Seberang Perak near here.

"The CPM has switched to this tactic as it realises its attempts to influence the lower income groups has failed."

Datuk Megat Junid said the Home Affairs Ministry had evidence of these activities and was taking steps to counter the CPM propaganda.

He also said the United Front had sent its members abroad for comprehensive training on how to organise demonstrations and pickets.

Private Company

Some of them, he said, had participated in mammoth demonstrations, organised by leftists outside the country.

He said the Government had traced their movement through a non-functional private company.

"These people are using the company's name to achieve their desired goal of wresting control of the country."

He said the CPM had close associations with leftist organisations following Marxist ideology in some countries.

Datuk Megat Junid said there were only about 160 communist terrorists left in the jungles in Peninsular Malaysia and about 40 in Sarawak. Another 1,300 are believed to be along the Malaysia-Thailand border.

"Despite their small number, the people must not be complacent as the CPM will continue with its useless struggle."

This, he said, was evident in 1969 when the CPM used the opportunity to instigate the May 13 incident.

08309

Muslim Savings Associations Branches Opening Expected

42130050c Kuala Lumpur *BERITA HARIAN* in Malay 5 Dec 87 p 4

[Text] Seremban [Negeri Sembilan] 4 December—The Muslim Pilgrim and Savings Association [Lembaga Urusan dan Tabung Haji] is planning to open branch offices throughout the country in an effort to improve its services to the Muslim community.

Haji Hanafiah Haji Ahman, its managing director, said recently that the association has branch offices in 68 places throughout the country and is planning to open about 15 more branch offices as soon as possible.

He said that with branch offices in every area it will be easy for the Muslim community to handle all of their business with branch offices of the association near them.

He spoke to a reporter in Seremban on 4 December after paying the business tithe [zakat perniagaan] of the association's office in Negeri Sembilan state to the Islamic Religious Assembly of Negeri Sembilan [Majlis Agama Islam Negeri Sembilan—MUINS], which was represented on this occasion by Haji Mohamad Isa Abdul Samad, the chief minister of the state. He said: "This is increasingly necessary, because total savings deposited with the association are continuing to increase throughout the country."

According to Haji Hanafiah, in Negeri Sembilan state alone the association is planning to open a branch office in the Tampin area early in 1988 and in Jelebu in 1989.

He said: "If the association grows, we plan to put up our own building in Seremban as soon as possible to replace the branch office which is now in a rented building."

Meanwhile, the total business tithe paid by the association throughout the country in 1987 increased by more than 60 percent over the 1.4 million Malaysian dollars paid in 1986. He said that in 1987 the association would pay business tithes of more than 2.3 million Malaysian dollars.

He said that in 1987 all states showed an encouraging increase, with Selangor recording the greatest total, or 195,764 Malaysian dollars, followed by the Federal Area of Kuala Lumpur, which recorded payments of 178,529 Malaysian dollars.

He said that the business tithe in Negeri Sembilan in 1987 also increased to 120,731 Malaysian dollars, compared to payments of 78,715 Malaysian dollars in 1986.

05170

Defense Minister Calls for Closer Cooperation With Indonesia

42000159b Kuala Lumpur *BUSINESS TIMES* in English 8 Dec 87 p 2

[Text] Defence Minister Tengku Ahmad Rithauddeen said yesterday the close cooperation between Malaysia and Indonesia in safeguarding peace along their common boundary must be further enhanced to ensure stability in the region.

"As we can see, this region is undergoing numerous developments and facing threats," he said when opening the 16th meeting of the Malaysia-Indonesia General Border Committee (GBC) in Kuala Lumpur.

He said the formation of the GBC was primarily to promote joint efforts against a common enemy, but other similarities between the two nations, especially in economic resources, called for even greater cooperation.

"As economic development cannot be separated from defence, it is vital for the two countries to step up cooperation in this sector in the interest of peace," he said.

Tengku Rithauddeen, who is GBC joint chairman, said it was his hope that more effective economic activities could be carried out to meet the peaceful objectives both countries were striving for.

He said the GBC was a key link in relations between the two countries, one with a proven capacity to resolve problems in the interest of mutual peace along their common border.

Indonesian GBC joint chairman General Tan Sri L.B. Moerdani said the joint exercises along the Sarawak-Kalimantan border against the latent communist threat and joint sea and air patrols in the Straits of Malacca had had encouraging results.

However, he said, both sides must not rest on their laurels as this could cause them to become less vigilant.

Gen Moerdani said the "strategic developments in South-East Asia require us to be watchful, and as such we must boost our alertness, our understanding, cooperation and preparedness."—Bernama

08309

Military Posts To Be Upgraded

42000159c Kuala Lumpur NEW STRAITS TIMES in English 7 Dec 87 p 12

[Text] Kuala Lumpur, Sun.—The army will upgrade more to the 40 military posts along the strategic East-West Highway, the Army Corps Headquarters said today.

The posts set up about 15 years ago during the height of communist terrorist activities when the highway project began, were now in bad shape, it said in a statement.

Four Territorial army battalions are stationed at strategic points along the 115-km highway from Grik in Perak to Jeli in Kelantan. Another battalion is stationed at the nearby Temenggor hydro-electric dam complex.

Budget

The statement said although the posts were supposed to be "temporary," soldiers had always been stationed there since they were set up, adding that the soldiers were living in sub-standard conditions as the posts currently consisted of bunkers topped with zinc sheetings and leaves.

It said so far this year, five posts had been upgraded to semi-permanent status, and it was planned that 10 more would be upgraded next year.

The decision to upgrade the posts was made after a series of meetings by the commanders of major army units based in Penang, Pahang, Perak and Kelantan and with Defence Minister Tengku Ahmad Rithauddeen and his deputy, Datuk Abang Abu Bakar.

Tengku Rithauddeen and Army Corps Commander Lt.Jen Datuk Mohamed Daud Abu Bakar had visited the posts recently to see at first hand the conditions of the posts and raise the morale of the troops stationed there.

The statement said 35 posts needed to be upgraded but the project for next year would only involve 10 posts due to the limited budget allocation although Mindef had agreed to give a special allocation for the project.

The posts would be built by army engineers at minimal cost, it added.

During a recent visit to the area, Lt-Gen Datuk Daud said that the posts needed to be upgraded because the military presence would remain at the highway for "quite some time" to ensure security along the highway.

The mountainous area north of the highway was still the venue for military operations by frontline units like the Royal Malay Regiment and the Ranger Regiment.

The East-West Highway, located close to the Malaysian-Thai border, is still under curfew from 6pm to 6am daily although terrorist activity had died down since 1985.

According to military officials, besides economic reasons, the highway project and the artificial lake formed by the Temenggor Dam are strategically situated to cut off the main infiltration routes of terrorists of the banned Communist Party of Malaya and its factions in jungle sanctuaries in southern Thailand.—Bernama

08309

New Air Force Squadron Formed

42000154d Kuala Lumpur NEW SUNDAY TIMES in English 6 Dec 87 p 20

[Text] The Royal Malaysian Air Force (RMAF) has formed a new squadron called the light attack squadron to provide light air support to the A-4 Skyhawk Fighter Jet Squadron and patrol the country's waters.

The Kuantan-based squadron is equipped with four PC-7 aircraft, which are ideal for assisting the fighter jets because of their close-range weapons, low-flying capabilities and easy maintenance.

The RMAF has set up the squadron and the school on its own initiative, using available resources without any special allocation, the Defence Minister, Tengku Ahmad Rithauddeen, said at the annual inspection parade at the RMAF Mahkota Camp in Sungai Besi.

The new squadron will also serve as a transit point for newly trained fighter jet pilots to enable them to gain two years' flying experience before being absorbed into the fighter jet squadron.

He said training at the new school would be conducted under the RMAF curriculum.

It was set up following the closure of the RMAF Training Centre in Sebatang Kara, Port Dickson, and also because training at the Royal Military College in Sungai Besi currently gave more emphasis to the army curriculum.

He also expressed satisfaction with the RMAF's achievements this year, saying it managed to boost its productivity and performance despite reduced funds.

08309

Army 'Views With Concern' Soldiers Absent Without Leave

42000161a Kuala Lumpur NEW STRAITS TIMES in English 9 Dec 87 p 4

[Text] Kluang, Tues. (Bernama)—The army views with concern the number of its men who have been absent without official leave (AWOL), army chief Jen Datuk Yaacob Mohamad Zain said today.

About 500 servicemen were reported to have gone AWOL so far, he told reporters after visiting the Army Engineers School here.

If caught, they would be court-martialled and dishonourably discharged as the army could not afford to retain such personnel, he said.

Jen Datuk Yaacob said he was awaiting a full report on the two cases of army personnel who went AWOL and got involved in criminal activities in Kuala Lumpur recently.

One is from the Sixth Battalion Rangers Regiment and other from the Ninth Battalion Royal Malay Regiment.

Some of the AWOL personnel were involved in dadah abuse, absent from their duties seasonally and afraid to enter the jungle during army operations, he said.

On the causes, he said one cause could be misunderstanding among servicemen or problems that were not taken seriously by their senior officers because of miscommunication.

The army was taking several measures to reduce the AWOL problem including having information campaigns, dialogues and other meetings between the rank and file and senior officers.

"The military has certain channels for resolving problems and we can discharge any personnel if the military life is not really suitable for him," Jen Datuk Yaacob added.

Apart from normal military police patrols to arrest AWOL personnel, a special operation would be undertaken to catch them if the army received information on their whereabouts from the police, public or family members, he said.

"There is no need to have an amnesty for those absent without official leave because I feel they will not return," he said.

Jen Datuk Yaacob also said the Army Engineers would undertake several projects next year, one of which was to build an airport runway in Perak.

The proposed runway at Sitiawan close to the Royal Malaysian Navy (RMN) base in Lumut would be for both civilian and military use, he said.

/06091

Shortage of Officers in Armed Forces

42000161c Kuala Lumpur NEW STRAITS TIMES in English 9 Dec 87 p 18

[Text] The Malaysian Armed Forces are short of about 1,300 officers at various levels, Defence Minister Tengku Ahmad Rithauddeen told the Dewan Negara yesterday.

He said the Army had 990 vacancies for officers, the Royal Malaysian Air Force (RMAF) had 237 vacancies while 137 posts were vacant in the Royal Malaysian Navy (RMN).

"Based on the policy of the Armed Forces to operate at 80 per cent capacity, the existing manpower is sufficient," he told Senator Haji Shahrom Haji Maasom.

"There are a total of 1,364 vacancies for officers in the three branches of the Armed Forces as at Oct 31.

"Our Armed Forces do not face any manpower problem in terms of its duties and administration," he said.

Tengku Rithauddeen said the Armed Forces were also sponsoring graduands of the Putera Division of the Royal Military College (RMC) at Sungai Besi and graduates to undergo specific courses in local and foreign universities.

"The courses are those recommended by the Armed Forces and on completion, the candidates will be offered commissions as General Duties Officers.

"Nevertheless, the door is always open for other graduates who are interested in a career with the armed forces as long as they meet the requirements," he added.

To a supplementary question from Senator Lau Keng Siong, the Defence Minister said it was the Government's hope that more Chinese and Indian candidates would join the Armed Forces.

"The Armed Forces are open to all Malaysians, especially the other major ethnic groups in the country," he said.

/06091

Trade Ministry Responsible for All Licenses

42000154c Kuala Lumpur NEW STRAITS TIMES in English 6 Dec 87 p 1

[Text] Kuala Lumpur, Sat.—All licences for business activities, except those for games of chance, will now be issued by the Trade and Industry Ministry, Prime Minister Datuk Seri Dr Mahathir Mohamad announced today.

Permits for operating games of chance and lucky draws are issued only by the Finance Ministry.

Speaking at a Press conference after chairing a three-hour meeting of the National Land Council at Parliament House here, Dr Mahathir said the Cabinet gave the instructions two weeks ago to the Trade and Industry Ministry.

He said the decision was made because some businesses such as hotels required too many licences.

A major complaint from hoteliers is that a hotel needs 63 licences from different Government agencies before it can operate. For instance, the approval to lay telephone cables would have to come from the Telecoms Department, the permit to lay water pipes from the Waterworks Department, a money changer's licence from Bank Negara and a permit to sell wildlife meat from the Wildlife Department.

At today's meeting were Mentris Besar, Chief Ministers, several Cabinet Ministers, their deputies and other senior officials.

Dr Mahathir, chairing the meeting in place Encik Ghafar Baba who is recuperating from an operation overseas, said each State Government had also been asked to centralise the issuing of business licences and permits.

He also said the Government would review the Environmental Quality Order, with the focus on toxic wastes, to speed the process of issuing licences and permits in order to boost industrialisation.

Protect documents

Matters pertaining to environmental quality, such as standards that were too high, had hampered this process, he added.

"We must remember that we are not a developed country and cannot have standards like those of developed countries.

"Nevertheless, we will ensure that whatever we do will not endanger lives."

Dr Mahathir also stressed the importance of large-scale agriculture in the economic and industrial development of the country.

He said although the total area of smallholdings in the country greatly exceeded that of large estates, production from estates had far exceeded production from smallholdings.

He suggested the establishment of co-operatives to ensure that individuals would benefit from the development of large-scale agriculture.

He also spoke of the need to protect important documents relating to land administration.

The Cabinet had decided to buy a microfilm machines for each State and to use computer programmes to get quick information on the status of land ownership nationwide.

Meanwhile, the Federal Territory Malay Chambers of Commerce (MCC) today welcomed the move by the Trade and Industry Ministry to issue all business licences.

Its chairman, Encik Mochammad Izat Emir, said that the announcement by the Prime Minister was "excellent news."

"It's good news for a businessman as he needs only to go to a one-stop centre to get any business licence."

If one Ministry was in charge of issuing all licences, it would mean that the Ministry was aware of a businessman's position with regard to the number of licences he might hold, directly or indirectly.

"It will also mean better control for the Government to ensure that there is no irregularity, exploitation or abuse.

"This will also prevent, in some instances, any particular person or company from enjoying a monopolistic position."

08309

Electronics Industry Technology Transfer Minimal

42000158b Kuala Lumpur: *BUSINESS TIMES* in English 7 Dec 87 p 2

[Text] The transfer of technology in the electronics industry has been very little despite the high number of multinational companies operating in Malaysian Free Trade Zones (FTZs), a seminar was told Saturday.

This is because most of the companies are foreign-owned and located in FTZs, thus leaving very little linkages between them and the indigenous companies, Malaysian Institute of Microelectronic Systems (MIMOS) computer aid design division head Ghazie Ismail said.

The presence of these companies has given a wrong impression that Malaysia had acquired high technology and is well-developed technologically, he said in a paper presented at a seminar entitled "Towards New Industries—the Malaysian Scene."

"This has led to multinational companies making more demands such as the extension of their pioneer status as well as added tax incentives," he said.

Describing the electronics industry as lacking integration, Encik Ghazie said it is very labour intensive, structurally lopsided with relatively low technology downstream activities resulting in very low value added products.

Malaysia's involvement in the industry is limited to joint ventures in consumer and industrial products and that the number of firms having a large local equity are small compared with those which are foreign-owned, he added.

Encik Ghazie said other characteristics of the industry included a low level of local contents in the products, low-wage assembly workers, inadequate technological capability of local firms and lack of experienced and skilled manpower.

He said the situation was not the fault of the companies altogether.

"The country's buoyant growth with high commodity prices resulted in the Government being complacent in encouraging local participation in the electronics industry."

The presence of the industry in the FTZs was seen as being secondary and employment was uppermost in the policymakers minds, hence its development was never accompanied by a programme of building up indigenous capabilities, he added.

Encik Ghazie said the future of the industry will depend on new approaches in industrialisation as outlined under the Industrial Master Plan (IMP) which identified electronics as one of the industries for promotion.

The IMP itself had acknowledged two areas of concern in the industry—lack of both technological capability and entrepreneurial ventures, he said.

He said the industry clearly lacks activities related to design of microelectronic products and wafer fabrication which can enable Malaysia to conceive product designs and not rely entirely on foreign sources.

As a result of the IMP study, he noted policymakers had begun to realise the importance of electronics technology that will help bring the nation nearer to industrialisation.

The setting up of MIMOS in 1985 is a clear indication that efforts to encourage further integration in the industry are beginning to materialise.

On wafer fabrication activities which demands high technology, he said multi-national companies are changing their views that there is not enough local expertise to initiate them.

He said that National Semiconductor, the electronics firm in Penang, is the first such company to set up a wafer fabrication facility costing \$50 million while Intel is also planning to set up a "full-fledged" facility to the tune of \$500 million with a workforce of 500 people.

He said Intel's proposed facility which will fabricate microcontroller chips and microprocessors, is a clear indication of growing confidence the country has the expertise to operate sophisticated processes.

He said there are indications that both Hewlett Packard and Motorola are planning similar facilities.—Bernama ES

08309

Tax Reform Undertaken To Revive Economy
42000173c Kuala Lumpur BUSINESS TIMES in
English 14 Dec 87 p 4

[Article by Sharif Haron]

[Text] Several major initiatives towards economic restructuring, which have become essential following the slowdown, have been undertaken by the Government in recent years.

These include the formulation of the Industrial Master Plan (1986-95), measures towards financial strengthening and deregulation by Bank Negara, the austerity drive and rolling-back of the public sector role in favour of privatization, relaxation of investment rules and promotion of manufactured exports.

But last week, the attention of many economists was definitely focused on tax reform as yet another instrument of economic recovery in the short run and an avenue of long-term economic restructuring.

At a national conference on tax reform organised by the Malaysian Institute of Economic Research (Mier), various aspects of taxation came under the economists' scrutiny.

The Government, which had already initiated various changes in the country's tax system, seemed to take keen interest on the deliberations, if the number of representatives from the Treasury present to follow and monitor the event were any indication.

The presence of Treasury officials could only mean that the Government recognises the positive contribution that a well devised tax system can offer to the economy.

With so many prominent economists present—from Mier, local and foreign universities and audit firms—it was only proper the authorities listened to what they had to say and propose.

And Finance Minister Daim Zainuddin could not have provided a better start to the three-day conference. In his opening address, he hinted that some form of tax reform is on the cards, although the present system has served the country well.

System

On corporate tax, for example, the 40 per cent level in Malaysia is relatively high when compared with other developing countries, he said he believed that the best corporate tax system is "one which offers low tax rates with as few reliefs and exemptions as possible."

"This means that reliefs and exemptions should be limited to the important ones, such as pioneer incentives, investment tax credits and export allowance which are necessary to maintain an attractive environment for investment and exports," he said.

The minister added that it is possible to maintain revenue even if the tax level is reduced, but there must be structural changes in the tax system.

This sounds a bit like what has been advocated by one of President Reagan's economic advisers, Prof Arthur Laffer, an economist who became famous overnight for his "Laffer curve."

In a nutshell, the Laffer theory says that revenue from taxes could still be maintained or increased despite a lower tax rate. This is because there would be greater business activities as lower tax encourages enterprises to do more.

Said Dr Suresh Narayanan of Universiti Sains Malaysia's school of social sciences: "A lower marginal tax rate, not exceeding 20 per cent, will likely boost productive efforts since it influences decisions on the margin about work, output and earnings."

But analysts generally believe that any improvement in business activities as a result of lower tax will only happen in the medium term. The Laffer theory itself did not work in the United States, mainly due to the complexity of the tax structure and unforeseen events.

"Thus, even if the Government decides to review the corporate tax level downwards, it will have to offset the loss in revenue through measures such as increasing sales tax and removing tax exemptions," said an economist.

The abolishment of the 3 per cent excess profits tax, Encik Daim explained in announcing the 1988 Budget, is a first step towards a more competitive corporate tax structure in the country.

Any revision of the corporate tax, however, will need careful study as it involves large sums of money that in the final analysis can have significant bearing on the Government's ability to finance essential development projects.

According to the Inland Revenue Department (IRD), of more than \$7 billion of all income taxes collected in 1986, some 70 per cent came from the corporate sector including the oil companies.

The remaining 30 per cent came from personal income tax. For this sector, a switch to compulsory monthly deductions was proposed for its effectiveness. Some argued that since the pay-as-you-earn system has been introduced in Sabah and Sarawak, there is no reason why the same could be not done in the peninsula.

Whatever, serious efforts should be made by all concerned so that those who should pay tax do so, and pay the proper amount.

In this respect, tax education might prove useful. At the same time, the merits of self assessment should be studied. The IRD should make a good start towards promoting the latter by coming up with simpler forms.

At the conference, there appeared to be a consensus that should the Government cut income tax further, then it is likely to offset the loss by trying to get more out of indirect tax.

An advantage that indirect tax has over direct tax is that there tend to be less leakages. Direct tax such as income tax could be prone to evasion at times, as the IRD has acknowledged.

As for direct tax, Prof Dr Ismail Salleh of the Universiti Kebangsaan Malaysia's faculty of economics suggested that a retail value added tax (VAT) be seriously considered as it offers wider scope compared with the present manufacturers' sales tax.

He said VAT can range from a broad-based tax designed to reach a substantial part of domestic consumption expenditure touching all stages of the production and distribution of goods and services to a more limited form that excludes retailing, services and farming.

"By exempting basic requirements such as basic food-stuffs, medical and related services, public education and public transport while charging luxury items at a higher rate, a sufficiently high degree of vertical equity and a substantial revenue could be achieved," he said.

Ability

This proposal appeared to have gone down well at the conference. And some even agreed on the rates. No VAT for essential goods and services, 15 per cent for luxury items and 10 per cent for the rest.

They felt that Malaysians are already well-educated enough to be able to administer a VAT system, which is more complex than the present sales tax. The ability to administer is a key phrase here.

As the deputy director-general of the IRD, Mr S. Sivalingam, pointed out: "Any tax reform programme which ignores the administrative aspect or takes implementation for granted remains a good system only on paper."

Other areas discussed during the deliberations included excise duties, and export and import duties.

It is learnt that based on the outcome of the conference, Mier will come up with a paper within the next few months listing all the recommendations with a view of submitting it to the Finance Ministry for consideration.

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Editorial on Corporate Tax System

42000161b Kuala Lumpur NEW STRAITS TIMES in English 9 Dec 87 p 12

[Editorial: "Towards a Low Tax Regime"]

[Text] Finance Minister Daim Zainuddin spoke of a corporate tax system with low rates and a minimum of tax reliefs and exemptions at the opening of the three-day conference on tax reform organised by the Malaysian Institute of Economic Research (MIER) in Kuala Lumpur. According to him, such a low corporate tax system with only the necessary tax incentives (such as pioneer status, investment tax credits and export allowances) could be the best for the country at this stage of economic and industrial development.

A system of lower rates without the less essential incentives should be attractive enough to the private sector investors, manufacturers and exporters without seriously affecting the Government's revenue position. The global trend is towards a lower corporate tax rate to enhance a country's attractiveness to foreign investors and its competitiveness in the world market.

A faster rate of investment is required for a higher rate of growth to hasten the process of economic recovery. To increase private investment in the manufacturing, agricultural and tourism sectors, the Government has already taken various measures to improve the system of tax and other incentives to make the investment climate even more conducive to both local and foreign investors. The company tax structure is being reviewed with a view to reducing the company income tax. The excess profit tax on companies will be abolished from next year (the Government expects to lose about \$140 million in 1988 as a result of the abolition of this tax).

To promote reinvestment by the investors and others, the reinvestment allowance has been extended for another couple of years (from 1988 to 1990) and its rate has been increased from 25 to 40 per cent as a further incentive for them to do so.

The entire sales tax system (introduced in 1972) is also being reviewed to expand its scope of coverage, and to examine alternative tax systems in order to broaden the country's revenue base. About 75 per cent of imported and locally manufactured goods have been exempted from the tax. According to Encik Daim, the reimposition of the sales tax on a number of goods (such as certain foodstuffs, building materials and semi-processed goods) and the tightening of the administration of the sales tax as proposed in the 1988 Budget could be regarded as the first step towards the development of a broad-based system of sales tax.

However, the competitive position of export-oriented manufacturers will not be affected as they can obtain a full refund of any sales tax that they may have paid on the raw materials and components used by them in the production of goods for export.

While the importance of a growth-promoting tax regime has been taken into consideration to create a congenial business environment and promote private sector enterprise, Encik Daim has also stressed the need for any reform of the tax system to take into account the Government's responsibility of obtaining revenue to meet its goals of national development.

/06091

Palm Oil Production Expected To Double by Year 2000

42000154a Kuala Lumpur BUSINESS TIMES in English 3 Dec 87 p 16

[Text] Malaysia expects to produce 8.1 million tonnes of palm oil and 991,000 tonnes of palm kernel oil annually by the year 2000, a seminar was told yesterday.

This would almost double last year's production of 4.34 million tonnes of palm kernel oil, a paper presented by the Palm Oil Research Institute of Malaysia said.

It added Malaysia, with 1.5 million ha planted with the crop, accounts for 60 per cent of the world output and export of palm oil.

The versatility of palm oil has made the industry very important to Malaysia within a short period of 20 years, during which it has made much progress in the production, refining and processing of palm oil and chemical feed stocks like oleochemicals.

The paper added that with the advent of palm oil refining in 1975, the country has successfully expanded its market from developed countries such as the United States to the Indian sub-continent, West Asia, Africa, Eastern Europe and Asia. It now exports the commodity to more than 50 countries.

The paper said the oleochemicals are expected to provide the necessary impetus for new industries in the next phase of the industry.

This will be the production of speciality products for various industries, it said.

The paper said world production of oleochemicals was expected to reach 3.9 million tonnes annually by 1995 with Malaysia contributing about 20 per cent.

Porim was also optimistic the red palm oil could be accepted generally for food applications on the grounds of its nutritional values.

It said a plant has been set up to extract Vitamin E from the palm fatty acid distillate. Vitamin E is widely used in the pharmaceutical industry.

Porim is also undertaking active research in sterols, a type of hormone found in palm oil and also widely used in the industry.

The paper said the versatility of the palm kernel oil in product application is another area of growth for the new industry.

In another paper, the seminar was told that 2,938 applications have been filed so far under the new Patent Regulations (1986) which came into force in October last year.

Chief patent examiner with the Patent Information and Documentation Centre (PIDC) at Sirim, Lee Yuke Chin said only 69 of the applications were by local residents.

He said the inventing activity by residents was low and hence the role of the patent system to stimulate technological development and to enhance technological standards were equally important.

He said the facilities and patent documentation at PIDC would provide a strong base for technological information which would serve as an important input for research, avoiding duplication of effort and stimulating creativity.—Bernama ES

08309

Farmers Call for Abolition of Import Protection
42000179c Auckland THE NEW ZEALAND HERALD
in English 14 Dec 87 p 5

[Text] Farmers have told the Government that abolishing import protection would create more, and not fewer, jobs in provincial regions.

A comprehensive 24-page argument for free trade, distributed to members of Parliament two weeks ago, was released by Federated Farmers today, when the cabinet is expected to decide on import duties for the next five years.

The submission calls for the complete abolition of protection during the next three years, using a formula which cuts high duties faster than duties which are already moderate.

It comes a week after the Manufacturers' Federation released its own submission, which argued that protection should not be cut until the economy is buoyant enough to create new jobs to replace those lost in protected industries.

Federated Farmers strike directly at the manufacturers' argument, suggesting that most jobs would survive lower import duties.

"A number of New Zealand factories will be forced out of business," the farmers acknowledge.

"It does not follow, though, that this will lead to increased aggregate unemployment, except possibly in the short term and in some localities."

They argue that lower import duties would boost jobs in unprotected export industries both directly, by lowering the costs of those industries, and indirectly, because the exchange rate was likely to fall.

With cheaper imports, the demand for imports, and so for foreign currency, would rise.

This would push up the price of foreign currency, effectively devaluing the kiwi dollar.

Moreover, the farmers suggest that the expanding export industries would be likely to be in the provinces, to take advantage of raw materials and cheap land and labour.

In contrast, 57 per cent of present protected manufacturing industries were in Auckland, Wellington or Christchurch.

The submission says that of the 56,500 people working in the car industry, including sales and mechanical repairs, only 6,000 were actually assembling cars.

"Thus even if this sector had to cease operating in total, if exposed to international competition, and this would not necessarily be the outcome, the majority of existing employment positions in the industry would be maintained," it says.

Even more jobs might be created in sales and repairs, because cheaper prices would enable people to buy more cars.

In addition, the hundreds of millions of dollars saved every year by car buyers would be spent on other purchases, which would stimulate activity and jobs in other areas of the economy," the submission argues. [quotation marks as published]

It contends that high import duties act as a "regressive" tax, bearing more heavily on poorer people, who cannot afford to save or spend their money overseas as the rich can.

It also argues that free trade would make the economy more dynamic, forcing companies to invest in new technology, trim their overhead and labour costs, and give up "deadweight" expenditure on lobbying the Government.

It would ensure that investment went into areas where New Zealand had a comparative advantage against rival countries.

The farmers dismiss the argument that protection is needed to sustain New Zealand's balance of payments, noting that most protected industries actually increase the country's dependence on imports for components and raw materials.

"It is much too simplistic to assume that balance of payments deficits are caused by too many imports, because they might also be said to be caused by too few exports," they say.

"In truth, both problems arise because the foreign exchange rate is too high."

They also reject the suggestion that New Zealand industry needs protection to match protection or advantages available to industry in other countries.

It was also prohibitively costly to try, for example, to compensate New Zealand farmers for protection imposed by the European Community.

/06091

New Defense Pact Signed With Australia
42000203b Port Moresby PAPUA NEW GUINEA
POST-COURIER in English 15 Dec 87 p 1

[Article by Angwi Hriehwazi: "Australia Bound to Defend PNG"]

[Excerpt] PNG and Australia are committed to help each other in the event of an external armed attack on one.

That is part of the defence pact built into the Joint Declaration of Principles signed between Prime Ministers Mr Wingti and Bob Hawke in Canberra last week.

The two countries can help each other militarily only after consultation has taken place.

The JDP says: "In the event of external armed attack threatening the national sovereignty of either country, such consultation would be conducted for the purpose of each government deciding what measures should be taken, jointly or separately, in relation to that attack."

Mr Wingti described the defence pact as an "improvement" on the 1977 defence arrangement between the two armies.

709599

Government Criticized for Education, Media Policies
42000203a Port Moresby THE TIMES OF PNG in English 10 Dec 87 p 7

[Text] Many Papua New Guineans—those who still have roots at their traditional homes take great pride in consensus, reaching decisions, through discussion.

Opposition Leader Somare is perhaps best known for practising consensus, the Melanesian way of settling differences, arriving at decisions.

Even before the whites landed in PNG, and introduced the Western form of democracy as we now know it, our forebears were already practising participatory democracy.

And it was perhaps this link with the past that the founding fathers of our constitution made participatory decision making—albeit non-justiciable—part of the constitution.

Clause nine of Equality and Participation—one of the eight National Goals and Directive Principles—states: "Every citizen to be able to participate, either directly or through a representative, in the consideration of any matter affecting his interests or the interests of his community."

Unfortunately recent actions by the government question the spirit, principle and use of consensus in the day-to-day running of the country and how government decisions affect the people.

Two glaring examples are the unilateral imposition of the five per cent cuts on the university budgets and Communications Minister Gabriel Ramoi's proposal to control the media.

Instead of asking PNG media personnel, academics and consultants—and there are plenty here—Mr Ramoi, who many people consider to be a nationalist, hired a very expensive foreign expert to tell us—Papua New Guineans—how to run our media "consistent with PNG values, principles and aspirations."

At a time when we are talking about national identity, economic self reliance, responsible management of PNG's resources and other noble goals, it is a mockery to disregard our own and get an outsider to tell us what we should or should not do.

Education Minister Aruru Matiabe yesterday strongly criticised the Vice Chancellors of UPNG and Unitech for their stand on the government-imposed five per cent cut to their budgets.

"If there is any Minister for Education who has been more concerned about the right kind of education to be offered, it is me," he said.

The fact remains that there has been no consultation. The universities asked the government to say where they were going to cut their operations. The government has not come back with any answers at all.

And Mr Matiabe has never met UPNG chancellor, Sir Buri Kidu, to discuss anything at all to do with the university.

If Mr Matiabe is concerned about education he should have had meaningful discussions with everybody concerned before agreeing on any cuts, or threatening to legislate to control the universities.

And Mr Matiabe has certainly learned the meaning of double-speak. While he says that he is the last person to restrict academic freedom and to politicise the universities, he says in the next breath, "But Prof Lynch and Mr Moramoro have acted in a way which cannot be tolerated by government. In every case, the will of the government must prevail. And if the vice chancellors do not want this to happen then the best thing for them to do is ship out."

The fact of the matter is that government must tolerate reasonable and constructive criticism; the will of the government must not be allowed to prevail "in every case."

709599

New Zealand, Spain Shadow Over Bases Debate
42000173h Sydney THE SYDNEY MORNING
HERALD in English 14 Dec 87 p 11

[Article by Cameron Forbes: "Manila Bets Both Ways in U.S. Bases Debate"]

[Text] In Zambales province, the Luzon Sea washes against a mountain wall which plunges, sheer, to the ocean floor and in that wall are burrows—pens for America's nuclear-armed Polaris submarines. Deep in the heart of the mountain are massive numbers of nuclear weapons, stockpiled in caverns hollowed out by workers taken there blindfolded.

This, at least, is one claim being made in the Battle of the Bases now joined between forces in the Philippines and the United States. The stakes are high, at least according to America and allies such as Australia: the massive installations at Subic Bay naval base and Clark Airfield are vital to regional security and world stability. The issues involved are complex: national pride and concerns about neo-colonialism, sovereignty and ideology, and, that great bottom-line, multi-billions of dollars.

Filipino opponents of the bases are themselves in a sense working blindfolded. The US policy of not saying which ship or aircraft is nuclear-armed—together with normal military close-lipped prudence—draws a curtain across facilities and activities at Clark and Subic.

But if the bases are as important as defenders say they are, logic points to a nuclear presence and such a presence is the key weapon in the opponents' armory.

The Military Bases Agreement between US and the Philippines expires in 1991 and, after a fierce struggle in the commission which framed the new Philippine Constitution, the centre and the right beat off an attempt to have inserted a clause banning the bases. Instead the majority vote was for the open-option option. President Aquino can renegotiate the treaty, which must be agreed to by the Senate and "when Congress so requires" ratified in a national referendum.

But Section 8 of the Constitution says: "The Philippines, consistent with the national interest, adopts and pursues a policy of freedom from nuclear weapons in its territory."

Here the portly shadow of David Lange looms north across the Pacific from New Zealand, for the Philippines Foreign Secretary, Raul Manglapus, two weeks ago said that if the bases continued, a mechanism to verify the presence of nuclear weapons would have to be set up. On the New Zealand model, this would mean the Americans packing up and leaving rather than confirming or denying.

Mr Manglapus's use of the word "presence" instead of "absence" might not have been a Freudian slip because he has also indicated he thinks that the bases in the Philippines are expendable. "For us, the balance in South-East Asia need not necessarily mean an American presence in the Philippines. It could be an American presence elsewhere or in the entire region."

Mr Manglapus argues that the US says there are three vital choke points in the supply lines through the region to the rest of the world—the Lombok and Sunda Straits in Indonesia and the Malacca Straits between Malaysia, Singapore and Indonesia. None of these, he said, labouring the choke points, was in the Philippines. If other ASEAN members wanted the bases to stay in the region, the next step was to talk about their distribution.

However ASEAN nations show no desire to talk about this and are reluctant to discuss the bases at the ASEAN summit, which begins in Manila today. They may make noises, however, about moving towards Indonesia's pet project, the Zone of Peace, Freedom and Neutrality.

Urging that the present security burden be shared, Mr Manglapus draws a parallel with Europe. If a European legislator was to stand up in his Parliament and declare that his country alone would stick its neck out in hosting US bases for the rest of Europe, "his government will fall in one hour".

As a military tactician, Mr Manglapus might be unrealistic—a scattering of mini-bases would not add up to Clark and Sub. But he speaks as a politician and, more importantly, as a Filipino nationalist. He said recently: "Never again will we allow any embrace to stifle our freedom and dignity." Mr Manglapus shares with many Filipinos an ambivalence towards the US. It gave him shelter for 13 years of self-exile during the Marcos years, but it also, he claimed recently, harassed him with phone taps and FBI questioning.

The emotional point is that the US is a former colonial power, the second to embrace the Philippines. What is more, the American embrace came just as the Philippines thought it had freed itself from its first colonial master, Spain. An irony of the Philippines bases issue is that the Philippines is watching with keen interest the battle of the bases in Spain.

Last month the Spanish Government gave notice to the US that it intended to renounce a 34-year-old treaty allowing US bases on Spanish soil unless agreement could be reached on a long-debated Spanish request for the removal of all 72 F-16s from the Torrejon base. Torrejon has been the centre of the argument for symbolic and nationalist reasons. The US established the base there during the Franco dictatorship, which the US supported.

Filipino nationalists know how the Spaniards feel. They claim that the Philippines bases were pressed on the land and the people in an unequal treaty. They remember the long US support for their own dictator and how President Reagan was a late and reluctant convert to the anti-Marcos cause.

However, the Philippines will pay a huge price if it does break out of the trap. Under an agreement negotiated by President Marcos, in the five years ending 1989 the US will have paid \$US900 million in what the Filipinos like to call (to the annoyance of the Americans) rent. With their Filipino labor force of 70,000, the bases are the second biggest employer in the Philippines after the Philippines Government. Then there are the spin-offs to contractors for goods and equipment, not to mention to the bar-owners and pimps and prostitutes in the brothel sprawl that serves the bases.

While the Philippines must count the costs of pride, the whole Pacific region and beyond must assess the strategic value of the bases. Clark is the largest American installation outside the US and accommodates up to 100 fighters of the 13th air force wing. Subic Bay can support simultaneous combat operations by several carrier battle groups and has enormous repair and storage facilities.

Filipino academic, and bases opponent, Professor Ronald Simbulan, says: "Subic is certainly the most comprehensive as well as the most strategic US support facility of the US navy and is generally deemed to be the key to effective performance of the US naval missions in the Indian-Pacific Ocean region." Clark, he says, "offers itself as a jumping-off point for contingency deployments in South and South-East Asia and in eastern Africa and the Middle East." And of both he says they are "a major part of America's first-strike capability".

There would be a political cost too. Defenders of the bases such as Singapore's Prime Minister, Lee Kuan Yew, see them as a vital counter-balance to the Soviet military presence, particularly at Cam Ranh Bay, in Vietnam.

But if there are those pessimistic about the survival of the bases in the Philippines, the US does not seem to be among them. It is a good thing that Clark Field is up country from Manila. Otherwise the Filipino and American negotiators who sit down next year to discuss the future of the bases might find themselves having to shout over the clatter of bulldozers and rumble of trucks. The US is going ahead with the construction of a second 10,500 ft runway at a cost of \$US35 million.

706091

ICRC Delegate: 'Human Rights Can Be Violated Only by State'

42000156c *Quezon City WE FORUM in English*
11-17 Dec 87 pp 5, 10

[Interview with Sweden's Pierre Delacoste, Information Delegate to the Philippines of the International Committee of the Red Cross, by PNF's Lourdes Abulencia]

[Text] PNF's Lourdes Abulencia interviewed Sweden's Pierre Delacoste, Information Delegate to the Philippines of the International Committee of the Red Cross, on the occasion of human rights week.

Because of the escalation of hostilities between the Armed Forces of the Philippines and various armed groups, the question of what rights the protagonists have, as well as the protection of non-combatants has become an important Philippine issue. Mr. Delacoste answered several questions on these and other related matters, specially on international covenants which regulate hostilities and ensure respect for the human person in times of conflict, whether internal or international.

Excerpts from the interview follows:

Philippine News and Features (PNF): What is international humanitarian law?

Pierre Delacoste (PD): International humanitarian law (IHL) belongs to public international law and is centered on the protection of the individual in time of war. IHL has two branches—the Law of Geneva and the Law of the Hague. The Law of Geneva is composed of the so-called "Geneva Conventions." There are four Geneva Conventions, and the two additional protocols that supplement these four Geneva treaties. The Law of Geneva and the Protocols safeguard military personnel hors de combat, or out of action, and persons not taking part in hostilities.

As of today, there are 165 sovereign states that have signed the Geneva Conventions. The other branch of IHL is the Law of Hague or the Law of War which determines the rights and duties of belligerents in the conduct of military operations.

PNF: What is IHL's significance to the internal armed conflict in the Philippines?

PD: The Geneva Conventions are only applicable in international conflicts, that means in a war between two countries. One such classical war today is the war between Iran and Iraq. That's an international conflict and the parties that have signed the Geneva Conventions—Iraq and Iran—are bound by them. In the Philippines, there is no international conflict, so the Geneva Conventions are not applicable.

In addition to the Geneva Conventions, however, we have the additional protocols: Protocol I and Protocol II. Protocol I also refers to an international conflict. The Philippines has signed Protocol I but did not ratify it. In any case, it is not applicable in this country since there is no international conflict. Protocol II is specifically for non-international conflict. The Philippines has adhered to it in Dec. 1986 and it came into effect on June 10, 1987. But this doesn't mean it is applicable. It's just

there and now a part of the national legislation. The signature or ratification to a treaty does not mean that it is automatically applicable. It depends on the situation.

PNF: Could you be more specific?

PD: Well, it depends on the intensify of the conflict.

PNF: For the Protocol II to take effect, is there a need for two opposing parties, say the Armed Forces of the Philippines and the New People's Army, to agree to its applicability?

PD: The ICRC does not qualify any kind of conflict. We promote these treaties. They were signed by different states and the ICRC has the mandate to promote them and see that these treaties are respected. But it is not up to ICRC to say whether Protocol II is applicable or not.

PNF: Who then is the body that qualifies the conflict?

PD: Well, it is the Philippine government. Let me also mention Article III of the Geneva Conventions. Article III common to all four conventions is an article that refers to non-international conflict and safeguards the protection of civilians and people not taking part in the conflict. Protocol II is just an extension of Article III. Both have a purely humanitarian purpose and are aimed at securing fundamental guarantees for individuals in all circumstances. Their implementation do not constitute a recognition of belligerency even implicitly nor does it change the legal nature of the relation between the parties engaged in the conflict. The application of Protocol II and the common Article III do not in any way confer international recognition on the insurgent party.

Protocol II protects only a certain category of people—the wounded soldier or the fighter that is out of action, the civilian that does not take part in hostility, that's all. But your Bill of Rights guarantees certain rights to everyone, not just to a certain category of people.

PNF: We understand ICRC has programs to disseminate IHL.

PD: Yes, we have. It is part of our general dissemination of the Red Cross ideals, principles, and activities. We also disseminate the basic rules of IHL. But since it is a huge field, we introduce it only to certain groups. We explain what the conventions are, their historical background and what they stand for. We do this to different publics but with priority to the Armed Forces of the Philippines (AFP). We would like to give the same message to all armed forces, to all groups—not just the government forces but also the opposition forces because the latter should respect the same rules. Obviously, it is easier to reach the AFP. With the opposition, we have actually done very little because of the difficulty in getting in touch with them. So we do indirect dissemination through radio programs, and distribution of brochures in villages where the ICRC has relief activities for

people displaced in connection with insurgency. We have also a dissemination drive among elementary school pupils. We have distributed the Red Cross Comics to all elementary schools over the last four years.

PNF: People usually confuse human rights for humanitarian law. Could you give the basic difference between them?

PD: The basic difference between IHL and human rights is that IHL gives protection only to a certain category of people during armed conflict while human rights gives protection to all individuals during peace time. Another difference between IHL and human rights is that IHL are treaties that protect certain categories of people against violence of war and abuses of power by the enemy. Whereas human rights are treaties that protect all individuals of the country against abuses of power by their own state.

PNF: What about violations committed by the vigilante group Alsa Masa, are they violations of human rights or of IHL?

PD: It depends on the situation and on the status of Alsa Masa. Human rights can be violated only by the State. It is the State versus individual citizen. Is Alsa Masa a paramilitary force and sanctioned by the government? If the question can be answered by yes exactions committed by that movement would be violations of human rights.

Violation of IHL takes place only when the conventions or protocols are applicable. If they are not applicable and there are exactions by groups like Alsa Masa then their violations are not against IHL.

PNF: Earlier you mentioned Article III. What are its essential components?

PD: Article III is common to the four Geneva Conventions and is applicable only in non-international armed conflict. It states that everyone not actively fighting or hors de combat, the sick, the wounded, the detained, shall in all circumstances be protected and treated humanely. To this end, the following acts are prohibited at any time and at any place: violence to life and person, in particular murder, all kinds of mutilation or any form of corporal punishment; the taking of hostages; outrages upon personal dignity; in particular humiliating and degrading treatment.

08309

Australian Bids for 'Substantial' Stake in Atlas Mines

42000173i Sydney THE SYDNEY MORNING
HERALD in English 14 Dec 87 p 25

[Article by Eric Ellis in Hong Kong: "Bond a Step Nearer to Success Over Philippine Miner"]

[Text] Mr Alan Bond is understood to have cleared a major obstacle in his long-running \$US250 million (\$A360 million) bid to take a substantial stake in big

Philippine copper and gold mining house Atlas Consolidated.

Hong Kong-based Bond director, Mr Peter Lucas, said a consortium of international banks accredited to Atlas had agreed in principle to a Bond offer to take over much of Atlas's outstanding debts.

Under the Bond offer, the Australian company would assume the lion's share of Atlas's crippling debts and convert that into a large equity stake in the company, formerly one of Asia's biggest and most productive mining houses.

Bond effectively would become Atlas's financier and is seeking that part of Atlas's commitment to its would-be Australian backer be satisfied by the payment of physical gold and copper.

However, this has further created problems for Bond under Philippine law, which holds that gold produced in the Philippines must be declared and sold to the country's central bank.

Bond is hoping to overcome those regulations with the incentive that it would help rejuvenate Atlas—once the Philippines' biggest earner of foreign exchange—into an Asian mining power by employing technical assistance from Bond's Australian mining operation.

Bond has been negotiating for more than a year with Atlas's bankers and principals, which include the Manila business dynasty, the Soriano family, traditional controllers of another Bond Philippine target, the brewing giant, San Miguel Corporation.

At its peak, Atlas was one of Asia's leading mining houses, producing almost a million kilograms of copper in 1981.

In 1982, when Atlas entered its big international financing packages, the company produced more than 200,000 ounces of gold.

However, like many companies in the Philippines, it was caught short by plunging metal prices, the sharp devaluation of the peso, and the excesses of the Marcos crony regime.

Atlas has been in serious difficulties since 1984 and incurred a deficit of almost a billion pesos (\$A67 million) last year.

The group blamed depressed prices and higher costs at its unrealised gold and copper leases on the islands of Cebu and Masbate, but major creditor banks said "management inadequacies and inefficient operations" had led to its demise.

The banks involved are mainly American. Bank America led a syndicate of five banks, with exposure of \$US72 million, while Chemical Bank and Chase Manhattan and Citicorp also are heavily exposed in syndicates understood to have \$US170 million outstanding. The debt has been restructured on several occasions, adding to creditor frustrations.

The Bond offer to the 22 creditor banks was understood to have been about US64 cents for every dollar owed by Atlas.

Mr Lucas said the banks' attitude to negotiations was positive, but added that the next phase of negotiations centred on the Philippine Government's attitude to the company's proposals.

/06091

Ramos Rejects, Retracts AFP Allegations Against Protestant Church

*42000156b Quezon City WE FORUM in English
11-17 Dec 87 p 4*

[Text] One wishes this were, truly, a case of all's well that ends well. But it is a rather tenuous truce between the military and the progressive church, a bond that could be easily disrupted again by the narrow-mindedness of "democracy's vanguards" who would so easily mistake for sedition the preferential option for the poor.

For the moment, the Armed Forces of the Philippines and the United Church of Christ in the Philippines (UCCP), have apparently resolved their differences, and would want the public to know that the former has indeed taken back its mindless accusations against the latter.

And the guys in the AFP who publicly tagged the UCCP as a communist front must have gotten quite a tongue-lashing from AFP chief Gen. Fidel Ramos, who is, himself, a UCCP member.

The UCCP, it will be recalled, earned the ire of military and abusive government officials because many of its preachers had openly sided with the oppressed and the poor masses in certain controversies. Only recently, a UCCP stalwart, Rev. Francisco T. Ugsad, was at the forefront of efforts to bring to national attention the plight of Leyte refugees fleeing from vigilante abuses.

Not a few UCCP preachers have been targets of smear campaigns, of assassination attempts, or harassment both under the Marcos and Aquino regimes. To all these, the UCCP members have fiercely defended their apostolate. But the "unkindest cut of all" must have been that sweeping statement last month from some segment of the AFP tagging the whole church as a "communist

front." Why, that's just like saying the entire Roman Catholic Church is a communist front, and an overwhelming majority of Filipinos are unwitting tools of communism.

When the UCCP protested, Ramos clarified that no, the UCCP has never been listed as such. Ramos soon after met with Bishop Erme Camba and other UCCP national officers, and the two sides issued a joint statement. Part of this reads:

"At the same time, both parties after the denial (by Ramos) agreed to put the issue at rest for the greater good of the country, and at the same time pledge to work together for more understanding, peace and harmony....

"For this purpose, the AFP and the UCCP finally agreed to continue carrying out regular dialogs both in the national and local levels, looking forward to the reactivation of the church-military liaison committee."

Still, one cannot help but ask: what of the many other churchmen who daily struggle with the poor and are tagged as rebels or rebel coddlers by the military, and who do not have a Gen. Ramos in their ranks to clarify the matter? Who is to attest that they work for Christ's gospel and not to sow destruction?

08309

Masbate Military Operations Cause Deaths, Evacuations

42000156d Quezon City WE FORUM in English
11-17 Dec 87 p 8

[Text] Masbate (PNF)—At least 15 have been killed and 25,000 people from 21 barangays [villages] of four municipalities in this province displaced from their homes ever since the military intensified its operations here starting November 2 this year, belated reports reaching PNF say.

Recent evacuees interviewed by PNF said they came from barangays Balantay, Calabad, Mambog, Rizal, Cavanoyuan, Cabrera, Buenaflor and San Vicente, all of Dimasalang town. Most of the evacuees have settled at barangay Piaong of the same municipality. Others are temporarily in neighboring barangays.

The barangays of San Mateo, Del Rosario, Pangijaman, Mabini and Monggahay in Uson town are totally deserted. Some 3,500 evacuees have sought refuge at the Magsaysay Elementary School at the town center.

Other barangays which residents have evacuated are San Antonio, Salvacion, and Parina, all of Palanas town; and Cadulangan, Osmena, Matubina and Villapogado, all of Cataingan town.

The mass evacuations started after the New People's Army (NPA), the military arm of the Communist Party of the Philippines (CPP), ambushed last week a seven-man team composed of military, para-military and vigilante members at the boundary of Buracan and Balantay, Dimasalang, this province.

The evacuees said they abandoned their homes for fear of being tagged as NPA members, sympathizers, or supporters in the wake of retaliatory military operations. Others said they were afraid to be caught in the crossfire.

They said several persons suspected of being NPA members or supporters had already been killed, while others have been tortured.

Meanwhile, at least 25 residents have been killed and several others wounded in separate incidents in this province since November 2.

Teody Belarmino, Balitog Lacson and Eddie Capallan were allegedly killed by the military group stationed at Balantay PC detachment last November 2 at around 10 p.m. near the house of Belarmino. The three were all residents of San Mateo, Uson.

On November 6, suspected NPA members Agapito Martomia and Nilo Pistulante were killed and Fedila Pistulante, wife of Agapito, wounded when they were shot at by unidentified armed men near the house of a certain Guillermo Agbang in Pangijaman.

Four residents of Pangijaman who had boarded the ship Cebu Princess were taken by the military from the ship with the aid of KILKOM members November 8. All were later found dead at barangay Malinta and Asid, Milagros town.

On November 8, OIC Bgy. Capt. Indalecio Cano and his father Jose Cano, and one Florito Tolingin, were tortured and killed allegedly by the combined forces of KILKOM and the Provincial Striking Force of the military headed by a certain Elpidio Daligdig in Balantay, Dimasalang. The father was found hanging from a tree while the son was found floating in a nearby river.

On November 9, the body of Henry Monsales of Buracan, Dimasalang was found in Balantay in an advanced state of decomposition.

08309

NPA/NDF Christmas, Anniversary Celebrations Described

42000156e Quezon City WE FORUM in English
11-17 Dec 87 p 12

[Article by Oscar N. Bajamonde: "Christmas in the Underground"]

[Text] Browsing through materials distributed by the then press office of the National Democratic Front (NDF), the political arm of the revolutionary movement,

during the ceasefire early this year between the government and the revolutionary forces which unfortunately was short-lived, I was suddenly struck by accounts of how revolutionaries celebrate Christmas in their areas of struggle.

Was this possible in the midst of their efforts to attain change through violent means? In the spirit of the Yuletide season where the perennial message is "peace to the world," one cannot help but wonder why the feeling of peace which is so much cherished particularly during this time of the year could not be made more lasting.

Covering the ceasefire process between government and rebel negotiators for a defunct newspaper, I cannot help but ask why with all the seemingly sincere efforts to achieve peace by both sides, it again proved elusive in the end.

As it is my habit to keep files of information materials from the course of my coverages as a journalist perhaps for its "sentimental value," I always looked forward when I could write about violence from an angle of peace even from these materials.

These accounts show how traditional Philippine Christmas is being transformed by people who have themselves been transformed by the revolution.

"Some people think that revolutionaries no longer celebrate Christmas, but we still do," said Dina, as she spoke of Christmas in a guerrilla front in Southern Mindanao. "In fact, it has become even more meaningful for us, because the Communist Party anniversary follows Christmas Day."

She noted that the masses of the people where they operate never fail to welcome them during Christmas. "They expect us to drop by on Christmas Day," she said. "They prepare special party food, like suman and bibingka and chickens for the occasion."

"In turn, we are expected to share with them the latest developments in the revolutionary struggle, and to present a program," she added.

In the guerrilla fronts, a more complete celebration with programs and feasting is held. Even little children join. They are experts in the "koryo," the interpretation of songs through dance and body movements. Christmas is also a time for visiting friends and relatives.

For members of the New People's Army (NPA), things are slightly different. Although they consider the government forces as lax during this time of the year, they never lose their vigilance.

In the urban areas where they live with allies from the middle forces, they help decorate the house and prepare food for the guests. The allies usually surprise them with gifts of food and other items. According to a cadre,

"Once they noticed that my shoes were worn out, they gave me new sneakers as well as fruitcake for Christmas. I gave them a revolutionary Christmas card I made myself," he added.

In the Samar NDF areas, according to another revolutionary member, on the 25th of December, by tradition, each member of the family has a get-together and a small feast—very simple, just biko and suman. "The comrades are always invited to these gatherings," he said. However, he added that it is on the 26th that the celebration is bigger and more festive—the day of the CPP anniversary. The masses would arrive in the barrio and start to make shelters made of leaves around a makeshift stage. Each barrio representative would bring in his own group's large kalderos or cooking utensils.

"Before the program, we discuss what to do in case of an emergency, like an unexpected enemy attack—the commands, the routes of safety and retreat. Then we would start formally by singing the "Internationale," using a microphone and stereo system lent to us. This is needed because the celebration lasts from morning until nighttime with as many as 20 barrios represented. In one area, the celebration was held inside a large cave that accommodated over 3,000 people." (Interco Press)

08309

Study Hits Inequity, Abuse in Growing Child Labor Practice

42000156f Quezon City WE FORUM in English
11-17 Dec 87 pp 12, 8

[Article by Perla Aragon Choudhury/PCF Media Service]

[Text] By law, Filipino children below 15 cannot work, except in situations which do not hamper their development and well-being. The law, however, is often disregarded. On the streets of Metro Manila, one daily sees children, usually from large and low-income families, earning a living when they should be in school.

Recent studies have documented the plight of working children, symptoms of a population problem. One study funded by the International Labor Organization (ILO) found that most working Filipino children come from large families, and are forced to work to supplement their parents' low income.

Another study is a two-year multi-pronged research program of the National Science and Technology Authority (now the Department of Science and Technology) and the University of the Philippines, entitled "The Labor Participation of Filipino Children: Structure, Utilization, and Impact." It found that most working children also come from large families—from four to nine children.

In an interview, Rosario Piquero-Ballescas, Ph.D., one of the study's project leaders, notes: "We used case studies of child workers, rapid appraisal methods, documentary reviews, and interviews for community data. It could not be otherwise. We went beyond the child, his family, his household, and his community to systems and levels of the whole economy and society itself."

The research program documented child labor in garments, agriculture, and the informal sector, which Dr. Ballescas defines as unorganized and "fluid." Services here include selling of sampaguita leis, fetching water for a fee (nag-iigib) and child prostitution (in Cubao).

Research sites for this "underground economy" were urban poor areas in Escopa II, Butokan in Sikatuna Village and San Martin de Porres in Cubao, and the Cubao commercial complex.

Ballescas reports: "Children of the 10-14 age group work because they have peers who do. They combine recreation with survival. Another reason is that the community itself presents opportunities for work such as scavenging through uncollected garbage. Why not, when everybody must work to survive? The distinguishing factor of households which push children to work, we found out, besides family size and migrant status, is the number of income earners. This suggests that employment is irregular for the breadwinner who does not also earn enough to support the family."

Similarly, the studies on garments production trace child labor primarily to poverty. Professor Ma. Corazon Veneracion led the researchers at Taal, and in Bocaue, Malibong Matanda, and Pandi Bulacan.

In their final report, the UP group said:

"Children work because proceeding with schooling is no longer affordable; work-source site is just nearby; and garment-sewing is the only alternative to farming. The poorer the family of the child is, the more the child tends to take additional work like laundry. It is in being out of school that the child seems to be at a disadvantage."

"The family relies on child labor for some 30 per cent of total income. Beyond the family, the industry also welcomes anyone who has a skill or is willing to be trained. The Church, the school and the bank monitor working children who ought to be monitored lest we wake up one day and find the children sector as the economic backbone of the nation."

Another research team went to Rizal, where one town (Tay-tay) supplies the domestic market with ready-to-wear clothes while another (Angono) supplies the export market. The team was led by Professor Rosario del Rosario.

The team found that child labor is used for both the domestic and export markets, but there are more children in the export-oriented market; in the latter market, child workers are also younger and give up schooling as early as their elementary grades. They get less pay even as the team found that wages for both types fall below living and minimum wages set for the cottage industry.

Lastly, they hardly have any technology transferred to them because they work mostly by hand and only on specific tasks of an entire operation. Like their counterparts in the domestic market, these children come from depressed communities and leave school at an early age.

In Benguet, 14 case experiences are presented in the final report of Professor Rowena Reyes-Boquieren of the UP College of Baguio. In the vegetable farms of Atok and La Trinidad in Benguet, the supply and demand of child labor is linked more significantly, as in Quezon City, Rizal and Bulacan, with the child's schooling status, low household income, unemployment, attitudes about work and education, and peer influence.

In Benguet, children are needed for farm tasks depending on the crop demand, Boquieren reports in the study.

Use of children in commercial farms is encouraged by weak laws protecting them from exploitation and the absence of monitoring or regulation of recruitment, wages, work and rest, task assignments and health or safety, she adds.

Generally too employers, child workers and their families know little about protective legislation or even support services for children and their families. Weak family ties and communication networks abet the persistence of malpractices in children's work participation.

The report also describes the larger structures that lead to child labor: a heavy stress on export-oriented and import dependent industrialization, reliance on external loans, dependence on credit and high costs of farm inputs, and a rise in unemployment and underemployment.

Ballescas, during the interview, concluded: "In essence, child labor supports unequal structures which enrich capitalism, condone oppression and prevent us from fully developing. This research program can give cues for long-term resolution of inequities. One is steady and regular employment. Another is a scheme for self-sustaining, small-scale self-reliant work to end dependence on Government. People must be made aware of their own capacities lest the situation becomes so volatile that revolution comes."

Storm Resurrects Bicolano Complaints of Official Neglect

42000156a Quezon City WE FORUM in English
11-17 Dec 87 p 2

[Article by Lourdes Molina-Fernandez]

[Text] Unknown to most non-Bicolanos, recent super-howler "Sisang" wrought devastation not only in the coastal areas of Sorsogon, where storm surges killed hundreds of people. Sorsogon's ruin was replicated in Albay, the heart of Bicolandia, where thousands of our fellowmen were left only with the shirts on their backs after "Sisang" left.

How it came to pass that official government—and media—attention would omit that important note about Albay's sorrow is a story that should provide one a glimpse of the workings of a politics-oriented government, and of the failure of local leaders to project the situation in their areas.

Of course, Bicol's senators, congressmen, and local officials, and even the Palace bureaucrats, would protest and say that no less than President Aquino herself has responded to Bicol's problem. Weren't we all witness to the media (that's all it was, anyway) spectacle of government men visiting Bicol's damaged areas by helicopters?

The heart of the issue, however, lies in what one of Bicol's young, socially-oriented priests has so touchingly stated in a personal letter to a relative in Manila. The issue, the priest said, is that government was not there when it was most needed. Official attention came rather late, when many of those on the edge of desperation had keeled over to the depths of hunger and anger. It is tragic enough that insurgency is alive and well in Bicol. That the brave Bicolanos would be left to the mercy of the four winds for so long seems to be government's self-destructive solution to insurgency.

From Tabaco, Albay, comes this eloquent testimony from a priest troubled no end by seeing so many poor people in misery:

"The churches—Malinao, Tabaco, Bacacay, Camalig, Polangui, Guinobatan churches are either 50 per cent without roof or 80 per cent. The heck with churches; we are more concerned with the poor who were most affected. I don't know how to put it...thousands are up to now fixing whatever was left of their homes...many are still looking for missing family members...thousands are literally expecting for a miracle so that they may have food for the coming days...

"What do we get today? Not even the shadow of our beloved president. (Mrs Aquino visited Sorsogon, but not equally ravaged Albay—ed), and what do we read in the newspapers? The multi-million Ninoy Aquino highway, the beautification for the Asean meet. How can

she—when many down here do not even have shelter, or at least food? With all the justifications that the office of the president carries, it still escapes my poor comprehension why, after several days not even a sack of rice from the national government has reached Tabaco..."

WE Forum columnist Fr. Placido P. Diaz had his own heart-wrenching story about Bicol after, "Sisang." It seems that a big warehouse of the National Food Authority (NFA) was damaged, and thousands of sacks of rice were wet and thus, ruined. A responsible local leader asked the NFA if the rice, which could no longer be sold, and had to be consumed immediately before mold sets in, could be distributed to the thousands who had nothing to eat. The NFA refused, invoking bureaucratic constraints. Then, a priest asked the NFA if the church, using some emergency funds, could buy the rice and thus be able to use it for the makeshift lugao centers for the typhoon victims. Again, the NFA refused.

Now back to our angered Albay priest:

"I believe that the insurgency problem in Bicol is far from over. There is a growing sentiment of hopelessness. And worse, the feeling of solitude among Albayanos. All of us are saying that we will survive as we always do. But many are saying to count us out in the future. Where was the government when the people needed it most?

"Yes, we will always go back to Mayon and rebuild whatever is left (Bicolanos, he says, are typical Filipinos who have the courage to return to Mt. Mayon's foot after every eruption). At least, the worst of typhoon Sisang is over... but thousands will never forget the people who lifted a finger to extend a helping hand during those days of hunger and cold. Likewise, they will never forget the national government which delayed its action. I know they in the national government will be arriving in a day or two with their goods. An action too late. Justice delayed is not justice..."

As our anxious priest said, the time for clenching fists and asking God "why" is over. It is a time for rebuilding.

But for Bicolanos who gave then candidate Corazon Aquino the biggest, warmest campaign crowd in the heat of the snap election period, the "why" would be better addressed to Malacanang.

It is sad that a government that recently gained a few points by capitalizing on the "sabotage" and "human rights abuses" of over-zealous NPA fighters in Bicol should let such precious gains in the battle for minds and hearts slip away so easily.

Sometimes, not all the foreign-supplied bullets in the world can decide a war's outcome. There is such a thing as losing by default.

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China Reneges on Tin Export Pledge

42000192c Bangkok *BANGKOK POST* in English
8 Dec 87 p 17

[Article by Boonsong Kositchotethana]

[Text] Thailand's Mining Industry Council (MIC) has accused China of violating its pledge to limit tin exports, a move which it says is undermining the Association of Tin Producing Countries' (ATPC) efforts to deplete the world's stockpile and prop up prices.

According to MIC president Darm Tiewthong, exports of Chinese tin metal and concentrate this year have "far" exceeded the 10,000-metric-ton limit agreed to by Chinese authorities at several ATPC meetings in support of ATPC's supply rationalisation scheme.

China is one of the two major tin producers which are not ATPC members; the other is Brazil.

China's action has caused tin prices to tumble and extended the period needed to deplete the 45,000-ton tin surplus—an action, Mr Darm said, "which is in no way benefiting tin-producing countries."

Mr Darm said he had written to Foreign Minister ACM Siddhi Savetsila asking him to protest China's action and urging the ministry to persuade Peking through diplomatic channels to undertake two proposals.

Firstly, the MIC calls on China to reduce its exports of tin metal and concentrate to the level it promised the ATPC and, at the same time, to regulate its exports in a way which supported price stability.

Secondly, China should become an ATPC member and help the seven existing member states' efforts to return the depressed tin market to normality over the next two years.

Chinese officials attending recent ATPC meetings have indicated that the country will join the ATPC as a full member but has failed to do so despite persistent pressure from the association.

It was barely two months ago that the ATPC took note of China's confirmation that it would limit its exports as part of its continuing cooperation with ATPC's efforts to return the tin market to normality. Brazil also vowed to limit its exports up to February next year to 21,000 tons.

The ATPC reported about two months ago that the supply rationalisation scheme it introduced in March, which required the implementation of export controls by its member countries, had been successful: the overhanging stock had shrank by an average 2,800 tons per month for the first five months of the scheme, which was well above the 2,000-ton-per-month target.

The association was confident that a depletion rate of at least 2,000 tons per month could be maintained for the rest of the supply rationalisation period ending in February next year.

Ministers of ATPC member countries decided at their last meeting that the supply rationalisation scheme should be continued beyond February.

The ATPC executive committee was instructed to draw up parameters for the second supply rationalisation period which is expected to last one year.

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Students in Philippines, NPA Threat Discussed

42000192b Bangkok *THE NATION* in English
8 Dec 87 p 16

[Article by Mayuree Rattanawannapi: "Getting That Filipino Degre."]

[Text] About 20 per cent of students expecting to further their studies in the Philippines this year cancelled their applications. Those prospective students changed their minds because they were worried about that country's instability. This was revealed by Samarn Rangsiyosari, the Thai Education Counsellor in the Philippines, in an exclusive interview with *THE NATION* at the Royal Thai Embassy in Makati recently.

These students, he said, were already granted visas, and the educational institutions they wanted to enroll in had already accepted their applications.

However, he said, the overall number of Thai students in the Philippines has not decreased, despite the worries of some parents about the political situation. Currently, 1,035 students are studying in 55 educational institutions. The Thai students community in the country is the second largest, after the one in the United States, he said.

He described the media's coverage of Filipino issues as "sensationalized". "Some people seem to know the art of making big news," he added.

"Some parents make long-distance calls asking their children to fly back whenever reports of unrest in the Philippines reach Thailand. But the students insist on remaining here because the situation is not that bad," he said.

There are many factors that make studying in the Philippines popular among Thais. Samarn said the Philippines is a country where more than 1,000 colleges and universities are available with a wide range of courses and subjects to choose from. And 200 institutions among them are recognized by the Thai Civil Service Commission.

Moreover, Philippine colleges and universities allow the transfer of credits taken by students in the local institutions. This is an advantage for students who cannot complete their education in their own countries or who graduated from vocational colleges to further their studying the Philippines and graduate within a short period.

Since the medium of instruction in schools is English, and not far from Thailand with the cost of living affordable, studying in the Philippines is attractive. This makes higher education within the reach of Thai students from middle class families. According to the educational counsellor, students there are not from well-off families. But many of them plan to further their education in the United States after graduating with a bachelor's degree from Philippine colleges. "It is one of the best ways to save money. They will have not only the degrees, but also the skills of English to be their stepping-stone," said Samarn. A student normally spends about 80,000 baht a year in the country.

Medicine is the most popular course Thai students enrol in. Second to that is Pharmacy, with the number of enrollees surpassing Engineering in recent years. The upsurge of enrollment in Pharmacy was due to the Thai law requiring all first-class drug stores to hire full-time pharmacists. Since local faculties of Pharmacy are difficult to enroll in, drug store owners find it easier to have their children study it in the Philippines, Samarn said.

Thai students are known to be shy and quiet in class especially when class participation and discussions are required. Samarn said that this is because of the language barrier. But when it comes to written examinations, Thai students always excel. "Many of them are among the top ten students of their institutions," he added.

Most of the students share rented houses and close relationships. They also tend to associate in a limited way by sticking to their Thai peers.

The only problem caused by Thai students in the Philippines is that of male students "doing wrong to Filipina girls," said Samarn. Some Filipino parents had approached him to ask him to force Thai students to marry their daughters. Samarn also related the case of a Thai student who escaped from his Filipina girl in the morning without taking back his belongings. He friend was asked to take the responsibility of sending his possessions back.

A letter, claimed to be written by a commander of the New People's Army (NPA) was sent to Samarn recently. It told the counsellor to tell all Thai male students in the city of Cebu to stop their "cruelty" to Filipina girls before some action is taken against them.

But Samarn does not limit his dealings to crucial issues, or the welfare and misdeeds of some students. Once such tasks are taken care of, he would turn his attention to lighter matters, such as those of the heart. Here is where everything depends on a delicate and diplomatic touch.

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Deputy Finance Minister Wants Baht Neutralization

42000192a Bangkok *THE NATION* in English
8 Dec 87 p 17

[Text] Deputy Finance Minister Dr Supachai Panitchpakdi yesterday repeated calls for the baht to be "neutralized" against major currencies to reduce speculative buying in the event of an appreciation by the US dollar.

A more even balance between the baht and major currencies in the basket to which the Thai currency is tied, would also encourage development in the forward and swap markets, he said.

However, Supachai stressed that through this proposal he was not opposing the Bank of Thailand's policy of using foreign exchange as a means to promote Thai exports.

But the baht had appreciated against the US dollars by three per cent while declining against the strengthening Japanese yen and the German mark by almost 40 per cent.

Strong ties between the baht and the US dollar had caused the imbalance in the market, heaping heavy losses on those whose borrowings in international currencies were directly related to those currencies' weightings in the basket.

"It is clear that the baht is weakening all the time, despite the depreciation of the US dollar. It will have repercussions on international loans and trade; there will be speculation if the value of the US dollar against major currencies should swing back," Supachai said.

Speculators place the weight of the US dollar in the basket as high as 90 per cent, while moderate, reliable sources cite a figure of 80 per cent.

A Dutch-trained economist and former Bank of Thailand executive, Supachai said he was less concerned with the weightings of the currencies in the basket, than with the managed float policy of the central bank.

He said the lack of neutrality in the baht value had resulted in the extension of problems in the US economy onto the local currency, diverting the market from a disciplined line.

Supachai would not deny reports that one state enterprise suffered an immediate foreign exchange loss of 400 million baht when it recently paid a loan in yen.

But he said commercial banks were ready to adjust to the volatility in foreign exchange values by providing customers with the swap facility. However, current policies on foreign exchange trading prohibited an active swap market.

He said as the baht had depreciated in line with the US dollar, monetary authorities had had to subsidize the currency.

"I have asked myself many times if the value of the baht may even reach 30 baht per 100 yen (the current exchange is about 19 baht per 100 yen)," he said.

He said his idea of forging stronger links between the baht and diverse currencies within the basket isn't a recent one but has developed for sometime.

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Central Bank Surveys Financial Situation

Studies Stock Market Crash

42000130r Bangkok *THE NATION* in English
20 Nov 87 p 19

[Text] The Bank of Thailand says it is still uncertain what effect recent turmoil in world stock markets will have on the Thai economy.

Central bank spokesman Siri Ganjarerndee said yesterday the bank's analysts are still considering a range of possibilities based on assessments by international economists who predict that world economic growth may drop between 0.5 and 1.5 per cent.

But, he added, the picture should be clearer by mid-December, when the Bank of Thailand would be ready to announce the direction of monetary policy for next year.

By contrast, some forecasts have already been modified following the October 19 New York stock market crash, although few economists think the crash will be the primary cause of adjustments.

Siam Commercial Bank's economists, for instance, are predicting that growth in Thailand will be 6.8 per cent next year, down more than a percentage point from their previous prediction of 7.9 per cent.

Siri said yesterday that the central bank is already preparing contingency plans for the situation. He said he was confident that if the world economy slows down by no more than one percentage point the situation can be handled.

He said the impact would be felt at two levels. Currency and interest rate changes could have a daily impact, he said, while links could show up in changed demand for Thai export goods, commodity prices and long term exchange rates.

He suggested a policy of caution to prepare for impact from abroad. Yet he predicted economic growth this year in the range of 6.5 per cent or more.

Whatever the effect of the turmoil on the markets, he said, Thailand would have to attach more importance to domestic sources of capital. The construction industry is unlikely to be affected by the changes in 1988, he added, while the textile industry appears secure unless trade legislation pending in the United States is protectionist.

In the first ten months of the year, Thailand's trade deficit of 31,400 million baht or US\$1,158 million far exceeded expectations, he told *The Nation*. Imports, including military goods, raw materials and equipment, surged during the period. The corresponding increase in exports was 24 per cent.

For all this, a current account deficit of 9,300 million baht (\$303 million) is consistent with the Bank of Thailand's predicted 10,500 million baht deficit for the year.

The balance of payments was 25,000 million baht (\$970 million) in surplus and official reserves at the end of October stood at \$4,900 million.

Comments on Growth Rate

42000129r Bangkok *BANGKOK POST* in English
21 Nov 87 p 15

[Text] A Bank of Thailand official expects the Thai economy will grow next year but at a lower rate than experienced in 1987.

Bank of Thailand's Economic Research Department director Chaiwat Wibulsawad made the statement yesterday during a seminar entitled "Keep An Eye on Economy'88", organised by the Economic Reporters' Club.

He said that the Thai economic growth rate depended on the trading situation with the United States, Japan and West Germany, noting that the government's policies must be flexible but still focus on export-led growth and investment promotions.

He noted that there were three danger zones to watch for. Rising oil prices, he said could deplete the Oil Stabilisation Fund by the middle of next year.

Secondly, the consumer price index was rising which may create pressure on the Government to introduce some price control measures. "Let us hope that the private sector will make only reasonable price increases so that the Government does not have to introduce regulations."

Lastly, he continued, any increase in the minimum wages should be considered with care so as not to upset productions costs for export manufacturing firms.

Mr Chaiwat expected interest rates to rise next year as liquidity in circulation would be lowered. Loan extension would be expanded by 16-17 percent and a substantial part of which would go to provincial areas.

The baht, he went on to say, may be slightly stronger but its value would still be such that it complements the country's export drive. "The baht may be 2.5 percent stronger against the US dollar but it is 12 percent weaker when compared with yen and Deutchmark."

Deputy Minister for Science, Technology and Energy, Dr Pichit Rattakul, said that real national development efforts must be based on technological progress and self reliance so that Thailand's industries do not have to import so much.

In 1986 Thailand purchased 800 million baht worth of Japanese technology and 400 million baht worth of technology from the United States. "If we cannot produce our own machinery, then there will always be problems ahead," he insisted.

Board of Trade executive secretary Tapan Bunnag warned that the international stock market crash may lead to adverse effects ahead.

In particular, he noted that if stock prices do not rebound within the next three months, there would be a real recession.

If the United States' purchasing power falls, then countries which rely on exports to the United States will suffer, he said. Thailand alone sends 20 percent of its exports, worth about 200,000 million baht, each year to America. **Thai Farmers Bank** senior executive vice president M.R. Pridiyadorn Devakul said that Thailand's exports still remain competitive because the value of the baht was falling while the US dollar declined.

He also urged the Government to pay more attention to agro-industries because it affected people at all levels.

Predicts Growth in 1988

42000131g Bangkok *THE NATION* in English
2 Dec 87 pp 17, 19

[Article by Vajara C. Santikul: "Central Bank Predicts 6 Percent Growth Next Year"]

[Text] The Bank of Thailand predicts economic growth of about six per cent next year on top of a healthy "macroeconomic balance" that it predicts will sustain the economy through any recession.

The latest calculations, made after last month's Wall Street crash, are more optimistic about Thai growth than predictions by the Thailand Development Research Institute (TDRI).

The Bank's economists say next year's growth should be between 5.8 and 6.2 per cent, depending on the severity of world recession. TDRI predicts a range of 4.13 to 5.9 per cent but regards 5.9 the most likely.

According to spokesman Siri Ganjarerndee, a 1.5 per cent slowdown in world economic growth would leave Thailand with 5.8 per cent growth in 1988, which assumes a slowdown of 0.5 percentage points. Despite the lack of confidence in global currency and stock markets, Siri predicts that next year's world recession will not be severe.

He said yesterday that economic policy should be marked by caution with the most appropriate tools being employed to keep exports competitive, he said, including the present basket of currencies used to fix the daily baht value.

The bank's latest forecast for economic growth this year is 6.6 per cent growth, a current account deficit of about 10 billion baht or less than one per cent of gross domestic product (GDP), inflation at no more than three per cent, an improvement in the gap between savings and investment and an improvement in the government's fiscal position with the cash deficit at three per cent of GDP compared to five to six per cent a few years ago.

These features are described as contributing to "macro-economic balance."

Referring to calls for the weight of the US dollar to be reduced in the baht's currency basket, Siri said it was correct to argue that if the baht follows the dollar down too closely inflation will be imported. But he said that inflation should be tackled domestically, through fiscal policy and tax measures.

Using the present basket, he said the pattern of Thai trade would in any case change. More imports would be obtained from countries with weaker currencies such as the United States and the newly industrializing countries, while more exports would go to stronger-currency countries, implying a weakening of inflationary pressure.

Thailand's debt burden has eased considerably, he said. The private sector, whose debts are 98 per cent dollar-denominated, has benefited from the dollar's weakness. The government's debt is more than 50 per cent dollar-denominated and more than 40 per cent yen-denominated.

Siri noted that Thailand's foreign debt servicing burden—the amount of interest and principal that has to be paid back—has improved this year to 16 per cent of export earnings (excluding payments on short term private sector debt of less than one year). Last year, the debt service ratio was 20 per cent.

The government's foreign debt service ratio has improved from 10.7 per cent to 9.4 per cent. For the private sector, the improvement is from 9.4 per cent to 7.6 per cent of the country's export earnings.

At the end of this year, outstanding foreign debt is expected to be US\$14.2 billion, only slightly up on last year's \$14.1 billion.

This debt stability, he said, contrasts with two years ago when the debt service burden doubled.

Siri was also optimistic on the possibility of an oil price increase. Producers might want to increase prices in dollar terms in order to account for the dollar's depreciation, he said, but because demand is weak they might find this difficult.

He said the best solution for the world's monetary problems would be for the three major economic powers—the United States, Japan and West Germany—to coordinate their actions. Of the alternatives, a second, fixed exchange rate system along the lines of the Bretton Woods agreement would be attractive to countries such as Thailand but unacceptable to the economic powers, while unilateral intervention buying to support the dollar would be expensive.

Agreement between the three to coordinate would also be difficult, he said, because the West German economy is performing below target and the Japanese are still resisting opening their market to trade.

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ECONOMIC

Government Bond Sales Reported

42090091a Ho Chi Minh City SAIGON GIAI PHONG
in Vietnamese 12 Dec 87 p 1

[Text] (SGGP)—On the morning of 12 December 1987, in Ho Chi Minh City, the Central Government Bond Sales Mobilization Committee conducted a preliminary review of the first phase in the national construction bond sales campaign. More than 50 representatives from the various provinces attended.

According to the report, more than 1 billion dong in government bonds had been purchased nationwide as of 12 December 1987, with the southern provinces purchasing 209,199,000 worth. Hanoi was the leading unit, selling 174 million dong in government bonds. Ho Chi Minh City only sold slightly more than 93 million dong in bonds. Many persons have invested large amounts of money, up to 2 million dong, in bonds, such as Mr Tong

Hoang in Quang Nam-Da Nang Province, Mr Doan Van Thom in Dong Nai Province, Mr Huynh Minh Duc in Ho Chi Minh City... However, there are still some places where bond sale quotas are assigned, on the basis of averages, and the measures employed are largely administrative measures which exert pressure, lack explanations, do not encourage or persuade persons to buy bonds and insult the people.

Pham Van Kiet, general secretary of the Central Committee of the Vietnam Fatherland Front, member of the Standing Committee of the Central Government Bond Sales Mobilization Committee and chairman of the conference, repeated the words in the directive of the Party Secretariat: the government bond sales campaign is a major political campaign, one that must be carried out thoroughly and in the spirit of voluntary participation by the people.

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